

Omnibus Simplification Package of the European Commission

CSRD, Taxonomy & CSDDD

General Remarks

The European Builders Confederation (EBC) welcomes the initiative of the European Commission to launch a wave of Omnibus simplification initiatives. EBC reaffirms its support to the European Green Deal climate-neutrality target by 2050, the goals of the Renovation Wave strategy, and the implementation of the Fit-for-55 package on the ground, notably regarding the energy efficient renovation of buildings. In order to achieve these goals, a simpler framework can be of important support for SMEs trying to navigate the complexity of the rules established in the previous legislative term.

This first Omnibus package is the first concrete step towards the simplification of EU legislation. To simplify the reporting obligations under the sustainability reporting (CSRD, CSDDD) and the broader sustainable finance framework (EU Taxonomy), the Omnibus should make these tools more workable for small companies.

The construction sector comprises 94% of micro companies, with SMEs and specialised craft trades often active in long value chains. Limited in human and financial resources, these companies need a simplified and fair framework for the information they are *de facto* forced to provide, not only to financial institutions but also to large companies and even other actors along their supply chains.

In this context, we stress:

- The need to avert the risk that the sustainable finance framework leads to an indirect exclusion of SMEs from accessing finance and markets.
- The need to prevent that both private and public financial schemes function as a barrier to the implementation of the Fit-for-55 package intended to impact the renovation market.
- The shift of workload and responsibilities from financial institutions to companies, and from large companies to its smaller partners, which are the least familiar and equipped to respond.
- The major fear of small construction companies to be forced to depend on external expertise to address highly complex requirements, which would prove difficult administrative burden and impact the financial resources of already fragile companies.

Specific remarks

EBC welcomes the Omnibus exercise, simplification is essential to allow SMEs to actually work and invest in their business. The three EU laws under this first simplification initiative (CSRD, Taxonomy Regulation, CSDDD) aim at helping investors 'work easier to improve sustainability.

In reality, **the investors work is passed to companies**, where larger companies push it on smaller companies. In the legislation, there is an exemption for SMEs and micro companies, but in reality, there is no exemption. While in principle, SMEs are under no obligation to report under the CSRD, in practice they are forced to do so by large actors in their value chain and financial institutions.

The imposed top-down effect can have a major impact on SMEs' activity. It is **no "trickle down" effect but rather an automatic loose imposition** of administrative burden to small companies.

Regarding **reporting costs**, which can rise to tens of thousands of euros, they should not hinder companies' actual transition and investment into sustainability. We would like to refer to our Belgian member Bouwunie's policy paper "*Urgent need for sustainability pragmatism in construction - How the European Directive on sustainability reporting threatens to become a doctrine and what to do about it*", referenced below, for detailed figures. This study was triggered by the concerns of Flemish construction SMEs of the implementation of EU reporting legislation:

- 7 out of 10 companies expect major problems with the data collection of CO₂ emissions from chain partners. Only 1 in 10 companies does not expect any problems or does not know yet.
- Most companies rely on external guidance. For 2025, the average consultancy budget was 27,000 euros. In 2026, this will drop to an average of 19,000 euros and in 2027, an average of 17,000 euros is expected.

The **proliferation of different reporting questionnaires** and requirements, e.g. by banks, represent a major concern for SMEs. Tools are being developed to support SMEs but are still voluntary in use, not just by SMEs but also by their value chains and financial institutions (VSME). However, how will investors and banks rely on such tools if their use is not mandatory?

EBC stresses the need to avert the danger that the sustainable finance framework leads to an indirect yet very real risk of **exclusion of construction SMEs from accessing finance**. Including when they are considered non-Taxonomy eligible or aligned.

If the sustainable finance framework implies investment in external services, the **margins to invest in people, technology and more sustainable materials will be impacted**, jeopardising potentially the capacity of the construction sector to deliver on, for example, the ambition of the recast Energy Performance of Buildings Directive.

Policy Recommendations

CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)

A mandatory VSME as the maximum threshold

- **The Omnibus Regulation should make the VSME legally binding.** By enshrining the VSME in the CSRD under Art. 29b par. 4 of the CSRD, its acceptance and use by all actors across the value chain and financial institutions can be ensured. While reporting for SMEs should remain optional and voluntary, the use of the VSME should be the maximum threshold, above which no information should be requested by SMEs, and it should be universally acceptable when used.
- **Ensure the VSME is as user-friendly as possible** while providing the relevant information to users and being holistically acceptable. Its language, structure and guidance should be as simple as possible, and be swiftly available in all EU languages for real uptake by smaller companies
- **The VSME must be a standard made for SMEs**, not an adaptation of the ESRS for large companies. Not more than the strict necessary should be asked, and enough time to respond to their duties should be guaranteed.
- It is now a priority to **ensure the market acceptance of the VSME as the cap in the value chain.** In case they are requested for it, SMEs should not have to respond to other questionnaires.
- **The VSME should be accompanied by its own, easy to use templates.** SMEs primarily work with SME-specialised accountant firms (mostly small and SME themselves), which could themselves use a simplified framework accompanying the VSME. SMEs will also have to receive support to access adequate training and explanation materials in a vocabulary understandable by non-ESG experts, and available in all EU languages.

The role of the authorities

- Competent authorities at EU and national level must **ensure all relevant actors, including banks, investors and larger companies across the supply chains that information included in the VSME are sufficient to comply with their obligations.** Thus, an obligation for them to accept reporting through a uniform VSME. No additional information should be requested from SMEs. The already constantly increasing proliferation of different reporting questionnaires and requirements e.g. by banks represent a major concern for SMEs, notably in the construction sector.
 - **GOOD PRACTICE:** In Belgium, the transposition of the CSRD enshrines the VSME into national law, specifies that banks and companies in the value chain shall not ask for more information than is defined in the VSME, and that the VSME should be the sole standard to be used should an SME choose to report. The Commission should encourage Member States to reference the VSME in a similar way in national rules through dedicated guidance.

- **Additional safeguards should be added for small businesses regarding assurances.** The Omnibus presents an opportunity to add an explicit prohibition on requiring SMEs and other actors in the value chain from seeking assurance or auditing on their sustainability information. Using the VSME will already create considerable costs for SMEs, who should not have to pay additional fees for auditing the data collected. The market for reporting and for assurance that an SME voluntarily undertakes should remain open, in the sense that SMEs should be able to work with their own trusted accountants, who are also often SMEs themselves, and not result to a restricted number of specialised consultants or auditors.
 - **GOOD PRACTICE:** The transposition of the CSRD in Belgium, already mentioned above, offers a good example of how to formulate these safeguards legally.

Review the implementation time

- **A postponement of 1 year** in the implementation of the CSRD provision on reporting obligations could be envisaged, to further give time to SMEs to adapt, given that the VSME is repeatedly delayed by EFRAG and the Commission and still not yet available.

Make good use of the information already available or collected

- The EU must ensure the **coherence between all reporting initiatives**, with the necessary harmonization also between European and national initiatives. The **“tell once-only” principle** should prevail in reporting exercises to avoid duplications in reporting. This could be supported by the creation of a digital tool designed specifically for the reporting of SMEs.
- Any **potential sectoral reporting standards** should also not lead to a duplication of reporting requirements.
- The **creation and/or valorisation of public databases** collecting data already available and relevant for CSRD reporting is key. For example, this could include certifications already obtained, energy data that can be asked to energy suppliers and not to SMEs, as well as social balance and financial reporting data. Banks and other actors in the value chain should, for the purpose of reporting, be able to access such information, so that SMEs are alleviated from part of the burden.
- **Question of the use or misuse of the data** provided through sustainability reporting remains important and their proper use by financial and supply chain actors needs to be further secured.

EU TAXONOMY

Effective consultation with sectoral experts

- Integrate **sectoral experts in the Sustainable Finance Platform**. The construction sector, representing approximately 10% of EU GDP and made up 99% of SMEs, should be represented in the Sustainable Finance Platform. This is of high importance for the implementation phase, given the ambitious targets for secondary materials that have been set in the relevant delegated acts.

Perform a reality check with the reality of the construction sector

- **Taxonomy provisions on the inclusion of secondary raw materials** in new and renovated buildings could prove particularly challenging, as it is foreseen that the use of primary raw material in the construction of a new building or the renovation of an existing building *“is minimised through the use of secondary raw materials”* with a detailed and restrictive list of materials and corresponding percentages being introduced, according to the Environmental Delegated Act. The reality is that such secondary materials targets are rarely practically feasible to achieve in renovation projects and in new construction.
- **The “Do-no-significant-harm” criteria are way too complex for SMEs to navigate**. They should be simplified and rendered in language that is more accessible to small construction companies working to become more sustainable.
- The Taxonomy framework should also be revised and simplified to better incentivise the inclusion of energy efficient renovation of buildings. In this sense, the involvement of the construction sector in the implementation phase of these requirement will be key, with an **inclusive approach for construction SMEs and crafts** in particular.
- Under its current form, due to both the content and complexity of its provisions, **the EU Taxonomy is rarely the instigator it should be to support energy efficiency renovation** of buildings that cannot reach the top EPC ratings (A or B), as banks find it challenging or uninteresting to include such renovations in their green portfolios. A revision of the Taxonomy should address this paradox, which undermines the Renovation Wave ambition and the implementation of EPBD targets.

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD)

Clarify once and for all that SMEs are out of the scope

- The CSDDD seems in many cases to result in confusion and uncertainty for construction SMEs. In practice, SMEs are often drawn in the loop of obligations due to transactions with their larger supply chain partners. The Omnibus presents an opportunity to **clearly state that SMEs are out of scope of the legislation and should therefore not be subjected to the requirements** that companies in scope have to abide by.

Align definitions in CSRD and CSDDD

- The CSRD and CSDDD have differing definitions, such as when it comes to value chains. These **definitions should be streamlined to provide legal certainty.**

Support for SMEs

- It is necessary to work on tools to support companies, especially SMEs, to comply with the new legislation. In this sense, we call on the **European Commission to rapidly adopt the guidelines foreseen in the CSDDD** to support small businesses and streamline the implementation phase.

Perform a reality check with the reality of the construction sector

- In situations where a company is dealing with a usual main supplier, reporting obligations could be more workable. However, the daily reality in construction is that **companies most of the time rely on several suppliers**. This situation is even multiplied in times of economic pressure and can result in confusion and uncertainty.
 - Example: When materials are received, the companies sign a confirmation of reception. Does that signature validate the information linked to manufacturing process of the supplier?
- Some materials contain different components. For certain elements, **how can an SME get information on the component streams** leading to the main element?
 - Example: A company buys porcelain for a specific project from a supplier. Clay and other materials are used to fabric the porcelain; is the construction company responsible for collecting information on the extraction and manufacturing process of the stream of each component leading to the fabrication of the porcelain purchased?

- Controlling the mobility and validity of CE marked elements is challenging for both the European institutions and the national governments. **How can then small construction companies operate such controls?**
- **Limiting due diligence obligations to direct suppliers** (tier 1) should be considered, as the reality of the complexity and length of construction value chains would result in SMEs suffering from disproportionate administrative and liability burdens, against the spirit of the law.

Indicative Resources

- “Urgent need for sustainability pragmatism in construction - How the European Directive on sustainability reporting threatens to become a doctrine and what to do about it”, Study prepared by Sustacon on behalf of Bouwunie, 9 December 2024.
[please get in contact with EBC should you require more information or access to the study]
https://www.bouwunie.be/sites/default/files/STUDIE%20CSR.D.def_.pdf
- “Impact of EU Digital and Green Legislation on SME”: Study by WIK-Consult and EY for the European Parliament - IMCO Committee (2024)
<https://www.wik.org/en/publications/publication/auswirkungen-der-eu-digital-und-umweltregulierung-auf-kmu>
- EBC article on the VSME : <https://www.ebc-construction.eu/2023/09/21/sustainability-reporting-ebc-participates-in-efrag-workshops-on-voluntary-sme-reporting-standard/>
- EBC article on sustainability reporting and taxonomy from early 2023: <https://www.ebc-construction.eu/2023/01/19/taxonomy-ebc-speaks-about-impact-on-construction-smes-in-eu-circular-talk/>
- C2050 Alliance joint statement on Environmental DA : <https://euconstruction2050.eu/2023/05/04/the-construction-2050-alliance-publishes-a-joint-statement-on-the-draft-taxonomy-environmental-delegated-act/>
- SMEunited contribution to EFRAG consultation on the VSME (May 2024): <https://www.smeunited.eu/news/smeunited-contribution-to-efrag-consultation-on-the-vsme>
- SMEunited contribution to EFRAG consultation - Questionnaire VSME (May 2024): <https://www.smeunited.eu/publications/smeunited-contribution-to-efrag-consultation-questionnaire-vsme>
- SMEunited – SBS position on the Reporting Standard for large companies (ESRS): <https://www.smeunited.eu/news/smeunited-and-sbs-joint-position-on-the-draft-delegated-act-on-sustainability-reporting-standards>



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About EBC

Established in 1990, the European Builders Confederation (EBC) is the European professional organisation representing national employer associations of construction micro, small and medium-sized enterprises (SMEs) and crafts. EBC is part of the employers' delegation in the European sectoral social dialogue for construction. EBC is a member of SMEUnited, the European association of SMEs, and founding partner of Small Business Standards (SBS), the European association representing SMEs in standardisation.

With around 3 million enterprises and a total direct workforce of 15 million, the construction sector is of vital importance to the European economy and society, contributing around 10% to the GDP of the European Union. 99.9% of the European construction sector is composed of micro, small and medium-sized enterprises, active mostly at the local, regional, and national level.