

## JBCE'S OPINION ON THE OMNIBUS REGULATION

The Japan Business Council in Europe (JBCE) supports the European Commissions' initiatives to reduce complexity and to ensure better alignment of reporting requirements. JBCE believes sustainability is and will remain at the cornerstone of the strengthening of businesses' competitiveness. Further alignment with existing EU legislations will not only help reduce administrative burden of reporting requirements but also allow companies to shift their resources towards innovation and implementation strategies to improve their performance and contribution to the society as a whole. We call for the Omnibus discussions to be conducted in a way that prevents legal uncertainty. JBCE would also like to highlight the importance of alignment with international standards, as many companies, including our members, operate in the EU as well as globally.

JBCE would recommend careful consideration of *the postponement of the audit requirements* and of *the challenges related to extraterritorial application*. In this regard, **we would welcome the opportunity to set up a meeting to discuss these critical issues.** The key points in this document are highlighted *in blue* for clarity.

In particular, JBCE would like to highlight the following key objectives for the upcoming Omnibus Proposal:

### **Achieving implementable regulatory frameworks and simplifications / Our Key Elements**

Reducing overlapping obligations and ensuring alignment across legislation is essential to streamline compliance processes and facilitate efficient operations. By harmonising definitions and scope, reducing sector-specific reporting standards in the Corporate Sustainability Reporting Directive (CSRD), and removing duplicative requirements, a more cohesive regulatory framework can be established. Clear and timely guidance is equally critical to help businesses understand and effectively implement these regulations, ensuring smoother compliance and reducing ambiguity.

Proportional and practical regulations are critical to balancing ambition with feasibility. Challenges such as supplier data collection, and excessive disclosure requirements must be addressed to reduce costs and enhance the compliance capabilities of businesses.

Additionally, the postponement of assurance implementation under CSRD, detailed guidance including the ones for companies with headquarters outside the EU (regarding Articles 19a/29a and 40a), and support tools including multistakeholder dialogues to discuss practical challenges will help create a more consistent and efficient environment supporting businesses while advancing sustainability objectives.

Finally, an increased harmonisation of Member States' transposition of CSDDD as well as additional support for global capacity building would be required.

**Ensuring consistency in legal terminology, scope, context, and definitions between EU legislations and related international standards:**

- Regarding closely related pieces of legislation, the alignment and coherence of terminology, context, and definitions is crucial to avoid confusion. For instance, the definitions of “Chain of Activities” under the Corporate Sustainability Due Diligence Directive (CSDDD) and “Value Chain” under CSRD should be aligned.
- *Having different exemption regimes under the CSRD and the Accounting Directive creates practical difficulties to apply 19a/29a as well as Article 48(i). Many of our members are the subsidiaries of non-EU headquartered companies. Depending on the location, EU Regional headquarters (HQs) subsidiaries are exempted from preparing consolidated financial statements. As CSRD imposes companies to conduct financial materiality, having a different exemption scheme imposes extra challenges to streamline the process. Furthermore, the delay in national transposition also impacts preparers to consider the most meaningful and effective way of sustainability statements. Therefore, we strongly recommend the alignment of exemption regimes.*
- *Furthermore, we call for the alignment of the company thresholds between CSRD and CSDDD by raising the CSRD thresholds to match those of the CSDDD. Cases may arise where an EU-based subsidiary falls under the scope of CSRD and is required to provide sustainability reporting, while its non-EU parent company does not meet the CSDDD threshold.* As a result, the parent company would not be subject to due diligence obligations, making it difficult to ensure a coherent and aligned approach within the company. To avoid such confusion and imbalances, we strongly urge that the thresholds for CSRD and CSDDD be harmonised, specifically by increasing the CSRD thresholds to align with those of CSDDD.
- In addition, aligning the European Sustainability Reporting Standards (ESRS) framework under CSRD with International Sustainability Standards Board (ISSB)

standards is essential to avoid duplication, as ISSB is emerging as the global baseline for sustainability reporting and is preferred by globally operating companies.

#### **Timely Adoption of Delegated Acts, Clear Guidance and Support Tools:**

- The recently adopted CSDDD presents a framework for due diligence obligations; however, its details remain unclear. To ensure effective implementation, the timely issuance of implementing acts and detailed/clear guidance is essential. Such accompanying measures should reflect the voices of diverse stakeholders, including companies, NGOs, Member States *as well as third countries*, through the establishment of a multistakeholder platform.
- Furthermore, the development of globally compatible IT tools to facilitate risk assessment, along with explanatory tutorials, could serve as critical resources for simplifying compliance processes.
- This applies not only to CSDDD but also to other legislative frameworks, such as CSRD/ESRS the Regulation on Deforestation-free Products, and the EU battery regulation (EUBR). *The guidelines should be formally adopted at least two years before the legal requirements take effect.* Furthermore, they should be comprehensive, providing concrete examples to enhance clarity and facilitate understanding.
- *Guidelines and standards should be translated into multiple languages if the requirement is to apply to third-country undertakings, since the language barrier can be high in some countries.* Some of the terminologies are difficult to understand due to differences in business practices and these must be clearly defined/explained in these guidelines. The burden created by these aspects should not be underestimated.

#### **Postponement of Assurance Implementation under CSRD:**

- The current state of sustainability assurance under CSRD presents significant challenges for businesses. Although sustainability reporting under CSRD has already commenced for FY2025, assurance standards remain undefined, especially applicability for non-EU companies applying Article 19a/29a. This lack of clarity creates confusion for both auditors and companies.

*To address these issues, it is essential to postpone the commencement of assurance obligations until a clear and standardised assurance framework under the CSRD is established and some capacity is developed on the market.* Until then, assurance should remain optional rather than mandatory. A phased approach to

mandatory implementation is necessary to allow for the education of both companies and auditors. Additionally, when transitioning from limited assurance to reasonable assurance through stricter requirements, a review should be conducted.

**Reducing the Compliance Burden of Sector-Specific Standards on CSRD:**

- The excessive disclosure requirements under the sector-specific standards in CSRD/ESRS, currently under development, exceed the content already established in the sector-agnostic ESRS and impose a disproportionate burden on companies. These obligations should be reduced.

**Simplifying the Obligations for Taxonomy Alignment Disclosure under CSRD Reporting:**

- The Taxonomy framework should be reorganised and simplified to reduce complexity and enhance its practical application. Ensure alignment with other regulatory frameworks regarding thresholds, exemptions, criteria and timeline in relation to the EU Taxonomy. Ensure consistency, for example between the generic criteria for Do Not Significantly Harm (DNSH) in pollution prevention and control, and the exemptions under the REACH Regulation.

**Avoiding Duplicated Due Diligence Compliance Across Regulations:**

- Duplicative obligations under related regulations, such as EUBR and CSDDD, should be streamlined to reduce compliance complexities and promote efficient regulatory adherence.

**Reducing the Burden of Supplier Data Collection:**

- Collecting data from suppliers under regulations such as EUBR, CSRD, CSDDD, and Ecodesign for Sustainable Products Regulation (ESPR) results in excessively high costs for companies. Furthermore, feasibility of collecting data related to entire supply chains will be based on the collaboration with suppliers including the ones companies do not have a direct contractual agreement with. Excluding SMEs in the supply chain from reporting requirements would further limit the feasibility of collecting such data. Practical and proportional measures are essential to alleviate this burden.

**Standardised Supplier Questionnaires for Due Diligence Implementation:**

- To mitigate the burden on businesses, caused by CSRD and CSDDD, it is essential to address the fragmented situation by introducing unified supplier questionnaires. This

applies to all businesses in the supply chain, including SMEs.

#### **Ensuring Proportional Requirements:**

- A step-by-step approach should be adopted, starting with minimum requirements and incorporating a review process to assess the effectiveness of measures over time. Excessively ambitious requirements unnecessarily increase costs and complexity for companies and should be avoided to ensure practicality and efficiency. This approach is not only necessary for CSDDD and CSRD, but also for EUDR, EUBR, the Carbon Border Adjustment Mechanism, the Forced Labor Products Regulation, and all other legislative frameworks.

#### **Harmonisation of Member States' transposition of CSDDD:**

- Regarding CSDDD, achieving maximum harmonisation in its implementation across Member States is essential to ensure regulatory consistency, establish a level playing field, and prevent market fragmentation. Diverging national laws could lead to increased compliance costs, legal uncertainty, and uneven competitive conditions for companies operating across borders. A harmonised framework would simplify compliance processes, reduce administrative burdens, and facilitate cross-border trade and supply chain management.

#### **Global Capacity Building:**

- In response to CSRD and CSDDD compliance, many suppliers in production countries are facing an increase in requests from EU-based client companies. It is crucial to offer support for capacity building for companies in production countries and SMEs as well as to establish a framework for global cooperation on this issue.

### **Conclusion**

JBCE would like to emphasise the critical importance of achieving sustainability objectives through coherent and well-balanced pieces of legislation. We trust that the EU will maintain the overarching goal of promoting sustainability through the upcoming First Omnibus Proposal while minimising unnecessary burden on businesses. Furthermore, we plead for a careful consideration of the impact on third countries. JBCE looks forward to engaging in a constructive dialogue with the European Commission to contribute to the achievement of these objectives, acting as a bridge between businesses of Japanese parentage and the European Institutions. Furthermore, we stand ready to offer our expertise and experience to support the ongoing development of this initiative whenever necessary.

## ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 100 multinational companies. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceuticals, textiles, and glass products.

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