

Eurosif consultation response

Eurosif acknowledges that, in light of the significant reduction in the number of companies in scope of the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS), voluntary sustainability reporting will play an increasingly important role. In this context, having a clear and sufficiently precise voluntary standard, and ensuring a well-articulated interaction with the value chain cap is critical to ensure that relevant information continues to flow through value chains without creating unnecessary complexity.

In its current form, this draft delegated act on a voluntary standard raises several concerns:

- 1) Despite the CSRD explicitly stating that the value chain cap applies only to information requested for reporting purposes, it will be difficult in practice to separate reporting-related requests from those linked to risk management, stewardship, engagement, sustainable finance disclosures, or prudential requirements. This could create legal uncertainty and inconsistent market practices issues for investors and other financial institutions that are covered by CSRD, where their data requests or ESG questionnaires could be met with a refusal to provide information from protected undertakings. This could ultimately impair investors' ability to meet their obligations under the Sustainable Finance Disclosure Regulation (SFDR), and reporting against Principal Adverse Impact (PAI).
- 2) The draft delegated act (DA) maintains only a subset of data points from the VSME standard under the value chain cap. This further restricts the information that preparers will be able to aggregate throughout their value chain, which in turn is likely to significantly reduce the decision-usefulness, availability and comparability of information available for investors.

An excessively narrow value chain cap may unintentionally encourage the continued proliferation of proprietary ESG questionnaires and bilateral information requests. This would increase the reporting burden on SMEs rather than reducing it, contrary to the stated objectives of proportionality and simplification.

- 3) Differentiating value chain cap data points from the voluntary standard by company size introduces unnecessary complexity and effectively creates three distinct regimes: full ESRS reporting for CSRD companies, a value chain cap for medium-sized companies, and a further reduced value chain cap regime for micro-enterprises. This risks undermining harmonisation and comparability across value chains, complexifying implementation for groups, financial institutions and multinational supply chains - which clearly contradicts the simplification objective.

To address the issues identified in point 2 and 3 above, we recommend fully aligning the value chain cap scope with the basic and comprehensive modules of the voluntary standard. Limiting this scope to only some specific data points of this voluntary standard would create information gaps and undermine the ability of reporting entities to obtain data that is decision-useful for investors. The differentiated treatment for micro-enterprises could also create more complexity: the value chain cap should be applied consistently across all non-CSR companies.

A simplified and consistent approach would enhance clarity, reduce fragmentation and ensure that companies across value chains can access the information needed to meet their reporting obligations. In turn, this will support investors' access to decision-useful information to manage their sustainability risks and impacts.