AECM position on the CSRD proposal

AECM represents 48 guarantee organisations in 31 European countries. Our members provide financial guarantees to small and medium-sized companies that have a viable business project but lack the necessary collateral to access bank financing. Since our members as well as their clients are both in the focus of the current CSRD proposal, we would like to raise the following points and kindly ask the co-legislators to take these into account:

In our view, the definition of a large undertaking set out in the Accounting Directive is not suitable for banks and financial institutions. Especially the balance sheet criterion does not allow to distinguish between a large and a small financial institution since even very small financial institutions have a balance sheet of more than mEUR 20. Secondly, the term “turnover” may be (depending on the jurisdiction) inaccurate for financial institutions. These rather have a “net revenue” which could be defined as the income from the profit and loss account.

The majority of AECM members are quite small financial institutions with far less than 250 employees. Their resources are limited and a substantial increase in reporting requirements would weigh heavily on them, impairing their promotional mission. Moreover, most clients of our members are unlisted SMEs. This makes it for guarantee institutions particularly challenging to comply with reporting requirements. If they fell into the scope of the CSRD, they would automatically fall into the scope of the Taxonomy Regulation and be required to calculate a green asset ratio for financial guarantees (according to the Article 8 delegated act of the Taxonomy Regulation). With most of guarantee institutions’ clients outside the scope of the CSRD, such a green asset ratio would not produce any meaningful information. On the contrary, it might stigmatise guarantee institutions as institutions supporting unsustainable companies.

That is why in our view it would make sense to apply separate size criteria for financial and non-financial companies to enter the scope of the CSRD. For financial institutions, we suggest using the CRR definition of “small and non-complex institutions” in order to define those institutions that are exempted from the scope of the CSRD for reasons of proportionality.

In the recitals of the CSRD, it is stated that the extension of the scope refers only to credit institutions that “meet the relevant size criteria”. However, it is neither mentioned which size criteria this refers to, nor is this limitation reflected in the proposed amendment of Article 1. In order to ensure legal certainty, this should still be added. We therefore suggest the following amendments:

Directive 2013/34/EU is amended as follows:

(1) in Article 1, the following paragraph 3 is added:

'3. The coordination measures prescribed by Articles 19a, 19d, 29a, 30 and 33, Article 34(1), second subparagraph, point (aa), paragraphs 2 and 3 of Article 34, and Article 51 of this Directive shall also apply to the laws, regulations and administrative provisions of the Member States relating to the following undertakings regardless of their legal form:

(a) […]

*(b) credit institutions as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council*2* ***provided that they meet the relevant criteria of a small non-complex institution according to Article 4 of the Regulation 2019/876 of the European Parliament and of the Council.***

[…]

Furthermore, we are of the opinion that there should be provisions for companies that are close to the scope and that might fall into the scope in one year and are again below the scope in the next year. We suggest that obligations apply only after the threshold has been exceeded for three consecutive years.

We highly appreciate plans to introduce a proportionate reporting scheme for SMEs which will be voluntary for unlisted SMEs. These simplified standards should strike the balance between meaningful reporting and the avoidance of red tape for small companies. On the one hand, it is of utmost importance to ensure that simplified standards are fully recognised and that no small or medium-sized undertaking can be required to report additional sustainability related information neither by authorities nor by their business partners. On the other hand, they need to be designed in a way that makes it easy for a company to comply and that allows it to concentrate on its business projects. Lastly, relying on secondary data already collected in the context of other surveys, statistics or certifications should be recognised thereby allowing to reduce the bureaucratic burden (see "once-only principle").

We kindly ask the co-legislators to take our views into consideration for the further legislative process and to carefully design the Directive in a way that allows for a proportional treatment of SMEs and their financiers.

Brussels, June 2021

About us

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 31 countries in Europe. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. The broader social and economic impact of this activity includes the following:

- Job creation and preservation of jobs by guaranteed companies
- Innovation and competition: crowding-in of new ideas leading to healthy competition with established market participants
- Structure and risk diversification of the European economy
- Regional development since many rural projects are supported
- Counter-cyclical role during crises

SME guarantees generally pursue a long-term objective and our members, if public, private, mutual or with mixed ownership structure, have a promotional mission.

AECM's members operate with counter-guarantees from regional, national and European level. As of end-2020, **AECM**'s members had about bEUR 330 of guarantee volume in portfolio, thereby granting guarantees to around 5.2 million SMEs. **AECM**'s members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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Interest Representative Register ID number: 67611102869-33