

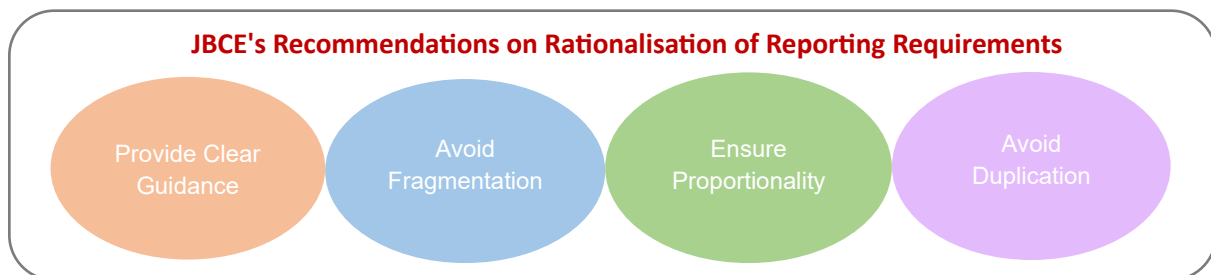
JBCE'S POSITION ON ADMINISTRATIVE BURDEN – RATIONALISATION OF REPORTING REQUIREMENTS

INTRODUCTION

JBCE welcomes the opportunity to contribute to this initiative aimed at reducing administrative burdens by 25% in the face of ever-increasing regulatory compliance.

- JBCE would like to endorse the European Commission's idea of streamlining, digitizing, and optimizing reporting requirements for companies through this call for evidence¹.

KEY MESSAGES



While reporting information which are vital to achieve policy objectives such as product safety and circular economy should not be neglected, JBCE would like to highlight the following points which are likely to cause excessive administrative burden:

- ❖ **Ambiguous definitions and standards** incur unnecessary costs to determine what to comply with, in the first hand.
 - **Clear guidance on the definitions and standards which elaborate the envisaged meaning/contents** should be developed. (e.g., clear guidance and dialogue to facilitate effective implementation of PPWR rules for both EU and non-EU stakeholders, along with a timely adoption of delegated and implementing acts)
 - Development of **common and useful tool** is essential to streamline reporting preparation when imposing reporting obligations on numerous companies including SMEs so as to enable significant cost savings by reducing dependence on external consultancies.
 - Enhanced harmonisation **with global standards** contributes to increased clarity.

¹ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13990-Administrative-burden-rationalisation-of-reporting-requirements_en

- ❖ **Regulatory fragmentation among Member States**
 - Different requirements imposed by each Member State will significantly increase the administrative costs to comply with reporting obligations.
 - **Replacing directives by regulations** will contribute to create a consistent EU-wide framework, aiming to prevent conflicts in fragmented requirements between Member States and maintain the integrity of the single market (e.g., PPWR and ESPR).
- ❖ **Excessive scope of reporting contents**
 - **Reviewing the proportionality** is necessary to strike a balanced approach (e.g., ESPR requirements should be examined by adopting a step-by-step process and a review mechanism to assess their effectiveness). Remaining reporting requirements whose purpose is no more recognized, or setting overly broad scope of reporting requirements that does not align with the intended purpose cannot be justified.
- ❖ **Duplication of reporting requirements**
 - There are overlapping requirements among the proposed legislations (e.g., due diligence requirements stipulated in the Battery Regulation, CSRD, and CS3D).
 - The Commission needs to **ensure the harmonisation or alignment among the proposed legislations** so as to avoid confusion as to how to comply with each piece of legislation.

JBCE believes it is crucial to **inform and communicate** not only within the EU but also **outside the EU**, considering the global value chains (as mentioned above, **harmonisation of Global Standards is key**).

Solving the problems listed above will be key to avoid excessive administrative burden which impacts all companies, and in particular SMEs not only in the EU but also those being part of the same value chains extended to non-EU countries. Since value chains stretch beyond borders, it is crucial to fully inform and communicate the necessary information to comply with the reporting requirements not only within the EU but also outside the EU.

In the annex, we illustrate the legislation-specific examples which would, hopefully, help you better understand the impact of the problems mentioned above and provide our perspectives.

Last but not least, JBCE believes there is ambiguity in **how the Commission defines the 25% reduction** within the total of 100%. While the Commission asserts a commitment to alleviating reporting burdens, it simultaneously introduces new initiatives and regulations that significantly amplify these burdens. To enhance our understanding of the purpose and feasibility of this initiative on the Rationalisation of Reporting requirements, we would like to request clarification on the process and criteria used to evaluate these feedback and the results of this initiative.

ABOUT JBCE

Founded in 1999, Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 100 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and

communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, textiles, and glass products.

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EU Transparency Register: [68368571120-55](#)

ANNEX

Legislation-specific examples and comments

Clear guidance on the definitions and standards
<ul style="list-style-type: none"> ● CRA <ul style="list-style-type: none"> ○ Reporting requirement to the person/entity maintaining a component: Article 11(7) indicates that manufacturers shall report a vulnerability to the person/entity maintaining a component. The question arises of how notification would be handled in the event of a component no-longer maintained, maintained by several independent groups, and/or an open-source component without a clearly identified maintainer (for example, multiple source code repositories). ● AI <ul style="list-style-type: none"> ○ As for article 62, JBCE recommends providing more specific definitions for serious incidents or any malfunction in the context of reporting requirements to prevent implementation burdens or/and excessive risk management through interpretation of the ambiguous text. ● PPWR <ul style="list-style-type: none"> ○ This regulation will affect not only EU stakeholders but also non-EU stakeholders regarding the packaging materials used when placing products on the market in the EU. There are still many unclear points in forming effective rules, and we believe that clear guidance, explanations through workshops, and dialogues with stakeholders outside the EU will be extremely important to enable them to fully understand the requirements set by this regulation and comply with them, the same clarity should apply to secondary legislations. The adoption of the numerous Delegated and Implementing Acts foreseen by the proposal should happen within certain clearly defined deadlines to ensure legal certainty for all operators.
Harmonisation with Global Standards
<ul style="list-style-type: none"> ● CLP <ul style="list-style-type: none"> ○ We would like to remind you once again that chemical products are not only manufactured and distributed in Europe, but are already integrated into the global value/supply chain, including exports to and imports from outside Europe. In addition, the UN subcommittee will consider introducing a new hazard class in 2023-2024. We would like to emphasise that the EU CLP Regulation should be aligned and harmonised with the UN GHS. As in the EU CLP Regulation, there are cases where some countries and/or regions have adopted their compulsory classification in accordance with specific regional laws and regulations. Therefore, even though the product is the same, stakeholders have to create new labels and SDSs depending on the destination. Stakeholders have to create new

product labels and SDSs for each revision, generating a lot of administrative burden, cost and unnecessary packaging. Unnecessary waste would also conflict with the policy of the Packaging and Packaging Waste Regulation.

- **CSRD/ESRS**

Reporting requirements proposed under EU legislation should facilitate alignment with reporting standards required by other reporting requirements around the world as there are companies operating both within and outside EU. Having non-aligned reporting requirements requires more resources devoting to response reporting requirements slightly different around the world.

- Sustainability reporting – while CSRD (Corporate Sustainability Reporting Directive) sets new ESRS (European Sustainability Reporting Standards), IFRS foundation is setting ISSB. ISSB is becoming a global baseline for sustainability reporting, companies operating around the world would prefer following reporting standards with a global baseline. Although ESRS set comprehensive ESG reporting requirements, ISSB only covers general reporting requirements and climate change relevant information at this stage. We would expect the Commission to secure a close alignment with ISSB for other topics too in order not to duplicate reporting requirements.
- Value/supply chain data – in order to obtain value/supply chain data, we need to obtain the support from upstream players including SMEs on data collection who may not be located in EU. It is important that reporting requirements use universal definitions, rather than EU specific definitions where possible. Heavy reporting requirements on supply and value chain information would create a reporting burden to upstream players including SMEs even if it is reporting requirements for large entities only.
- The European Standardisation System and the International Standardisation System have generated numerous standards that address various sustainability topics covered by the ESRS. However, there is no alignment between these two systems in the CSRD. The ESRS serves as a foundational guideline, but precise standard values and calculation formulas demand compliance with established norms. Embracing globally recognized international standards, notably those under the ISO/IEC standards is pivotal. To prevent duplications, rising costs, redundant reporting, diminished competitiveness, and an emphasis on quantitative evaluation rather than the genuine impact on the environment., it is advisable to utilize globally recognized international standards.

Avoiding Regulatory Fragmentation Under the Single Market

- **PPWR**

- We welcome the idea of transforming the current applicable directive into a regulation. A consistent EU-wide framework, which does not require the transposition of the measures into national law, will be essential to improve the recycling efficiency and reduce packaging waste. Packaging plays an important role in protecting valuable goods. When certain packaging design is required in one member State and forbidden in another (like the Triman logo in France or the sorting instructions in Italy), this counter

the logic of the Single Market, which is one of the founding principles of the EU. Thus, the harmonisation of requirements on Union level is welcomed.

- **ESPR**
 - JBCE appreciates and supports the objective of the Commission to replace the Ecodesign Directive with an ESPR Regulation. As described in Table 25 “National level initiatives” in Annex 8 of the Commission working document, the business supplier’s burden is increasing since member states are individually introducing environmental regulations. Harmonized rules should be introduced at EU level to avoid fragmentation of the Union’s internal market.
- **CSDDD/NIS2**
 - Some Member States already have due diligence legislations introducing specific reporting requirements on due diligence actions which designate risk categories that are slightly different from the proposed EU CSDDD. Fragmentation of legal requirement among Member States is creating extra burden to tailor specific reporting to respond to national legislation too. Similar considerations apply to Member States’ legislation on cybersecurity which are expected to correspond to NIS2 Directive.

Ensuring Proportionality

- **ESPR**
 - JBCE would like to stress that a balance is needed between ambitious requirements and the implementation costs. Manufacturers have to deal with many legal requirements which are proposed under the EU Green Deal policy. JBCE urges the Commission to take a step-by-step approach, starting with minimum requirements, and introduce a review process to assess the effectiveness of the measures before setting additional requirements.
 - Requirements should be relevant and avoid imposing measures without assurance that these requirements would be proportionate to the benefits reaped.
- **CBAM**
 - JBCE believes that the EU needs to take into consideration the following four points so as not to hinder trade due to the reporting obligations under the CBAM; namely, (i) not to require reporting information that are not mandatory under EU-ETS for EU business operators to report and which are not indispensable to manage the CBAM operation, (ii) to endorse non-EU conformity assessment bodies when the EU requires third-party verification on emission, (iii) reduce the intermediaries in making report as much as possible, and avoid the spread of trade secrets in making the reporting, and (iv) to have a thorough consultation with the industry experts regardless of whether they are EU or non-EU citizens in designing the details of the CBAM.
 - JBCE believes that it is disproportionate to require importers of iron or steel parts

ancillary to machinery products (such as screws, bolts and nuts covered by CN 7318) to comply with the full reporting requirements set out in the CBAM Regulation, given the limited impact on carbon leakage, as this will unduly increase the administrative burden on third country operators in the value/supply chain, including SMEs.

- **CRA**

- Use of vulnerability reports

Attacks by malicious entities include false incident reports. The attack impedes the activities of both ENISA and manufacturers. The recommended time to start reporting to ENISA is therefore once the incident has been correctly identified or evaluated and reproduced by the manufacturer. Manufacturers also need sufficient time to defend themselves against those false incident reports. Otherwise, manufacturers will continue to risk unnecessary CRA penalties from malicious attacks.

JBCE recommends that it is clearly stated that the trigger of the manufacturer's reporting obligation is only when manufacturer has verified a vulnerability, which also means that the manufacturer investigates reports from other entities and recognizes that a real vulnerability exists, not when other entities report to ENISA and/or the manufacturer. Of course, manufacturers shall be obliged to manage and verify vulnerability information brought to them by other entities.

Avoiding Duplications

- **Battery regulation, CSRD and CS3D**

- We understand that due diligence requirements laid down in the battery regulation are specific to battery supply chain, but the essence of what needs to be done is nothing different from due diligence defined under the CSDDD. While CSDDD is not introducing due diligence reporting obligations if the companies are in-scope of CSRD (as due diligence actions need to be reported under CSRD reporting requirements) the battery regulation has reporting requirements for battery due diligence which need to be published publicly which technically requires companies which fall in the scope of the battery regulation and CSRD to have two separate reports on due diligence action, and both require 3rd party assurance which doubles the cost for the companies.

- **ESPR**

- JBCE supports the Commission's general principle that ESPR will only intervene when the environmental sustainability of products, which are also subject to separate product-specific legislation, cannot be fully and appropriately addressed by other instruments. Requirements that duplicate or conflict with other legislation such as REACH, CLP, and RoHS should be avoided.
- It seems that chemical composition and other specifications could be required in the DPP. If any reporting requirement would already exist it should be merged into a single reporting requirement.

- **CRA**

- Alignment with NIS2:

The requirement of Article 11 to report within 24 hours, implies that manufacturers should require the availability of engineers and cyber security specialists on a full-time basis (24/7). However, only a few large enterprises can establish such organisational structures for this reporting requirement. It is difficult for SMEs, including startups, to comply with these requirements. This would be highly detrimental to the interests of the market. Instead, we recommend introducing the 3-step approach contained in the NIS2 directive:

- ◇ Early warning within 24 hours.
- ◇ Incident notification within 72 hours.
- ◇ Final report no later than one month after notification.

It is worth noting that it is not always easy for a manufacturer to determine whether the incident is caused by unlawful or malicious acts or has cross-border impact. Also, as NIS2 requires only reporting for ‘significant incidents’, alignment in this respect is welcomed. In any case, further guidance on criteria to determine severity and impact is needed.

- Reporting template

Article 11(5) indicates that the Commission may further specify the type of information, format, and procedure of the reporting. As the same requirement exists under the NIS2 Directive, again alignment with that format is requested. However, it would also be beneficial to include a generic template of the report format in a separate Annex or guidance document.
- PPWR
 - The consistency with already existing legislation should be ensured, in particular with Annex XVII of Regulation (EC) No 1907/2006 (REACH restriction), Regulation (EC) No 1272/2008 on the classification, labelling and packaging of substances and mixtures (CLP), and Regulation (EC) No 1935/2004 on food contact materials, as these already provide for the possibility to restrict substances based on concerns related to human health or the environment. Packaging usually does not consist of a single packaging material. It is common to use printing inks, adhesives, and composite materials for durability. It should be kept in mind that these are usually already regulated under other legislation such as REACH.
- RoHS
 - To ensure the best possible inter-relationship among different chemical legislations and to avoid contradictions, we welcome documents such as “REACH AND DIRECTIVE 2011/65/EU (ROHS) A COMMON UNDERSTANDING” by European Commission published in 2014. Such a document reduces administrative burdens and increase the efficiency.

Justification of reporting requirements

Reporting requirements should be justified (serve a purpose), and their performance should be assessed.

- **SCIP database**

- It was established to provide information to waste operators and consumers. However, it appears that it does not fulfil its intended purpose, yet it is still being maintained. (WFD 2008/98/EC Article 9 point 2)
- **Outdoor Noise Directive**
 - It is required to upload noise measurement information onto a database. However, the database itself is outdated and not user-friendly at all. Setting that aside, the justification for collecting these data is unclear, and the purpose of their use is not well-defined. Furthermore, reports are not published annually (OND 2000/14/EC Article 16 point 2).