

Newsletter 24

EFBNews #24

EFB Newsletter 2022



Russian invasion of Ukraine

As this crisis persists, we continue to think about all of those impacted by this war. We have shared on our social media and website a press release on the 8th March indicating our condemnation of the Russian invasion of Ukraine. We have also shared with members the support details for donations which the FBNed shared. Our solidarity remains with all of those impacted by the war.

You can find the link to this [here](#)

EFB's Events so far

The Mid-Cap Gap

EFB held a meeting at the European Parliament on the 11th May 2022 with the sponsorship of MEP Nicola Beer on the issue of a lack of category for Mid-Caps.

An extremely interesting and important debate was held in the presence of MEPs and a representative of the EU Commission – Deputy Director General Mr Hubert Gambus.

We thank our French member METI for their presentation at the event and KPMG Private Enterprise for creating the Mid-Cap report in conjunction with EFB. If you would like to read KPMG Private Enterprise and EFB's Mid Cap report visit [Bridging the Mid-Cap Gap - European Family \(europeanfamilybusinesses.eu\)](https://europeanfamilybusinesses.eu)

In addition, there is soon to be a European Commission study on Mid-caps released. This study is being conducted by DG Grow. EFB is keeping an attentive eye on any information that arises out of the study and will keep our members duly informed.



EFB's 8th Summit has taken place in Berlin!

EFB's 8th Summit took place on the 13-14 June in Berlin's prestigious Akademie der Künste, Pariser

Platz 4.

A variety of interesting discussions took place on the topics of succession, responsible ownership, sustainability and much more. If you missed the event, you can find the EFB's Summit Summary on our [website here](#).

EFB would like to take this opportunity to thank all of our speakers, attendees and of course our sponsors. EFB would also like to thank DIE FAMILIENUNTERNEHMER for their support in organising the event.

If you would like to see the video message from the President of the European Commission Ms Ursula Von Der Leyen please visit the [EFB website](#).



Policy Updates

Debt Equity Bias Reduction Allowance (DEBRA)

After many years of advocacy, we are pleased that the DEBRA initiative was adopted on the 11th May by the European Commission. You can find the adopted [proposal](#) here.

The goal of DEBRA is to **improve access to financing** and contribute to **more resilient businesses**, and **levelling the playing field between debt and equity**. The **new scope of the proposal introduces two issues which may impact the overall goal of the current DEBRA proposal to bring about a '...robust, efficient and fair tax system'**.

The proposal as it stands introduces provisions that would restrict the deductibility of interest from debt and not including existing equity. Although the **justification given by the European Commission on not including existing equity due to the costs that may be incurred by Member States' public finances, we believe that a larger portion of equity should be included.**

EFB contributed to the European Commission's most recent DEBRA public consultation on the 26th July 2022 to express EFB's concerns on some of the elements of the current DEBRA proposal. If you would like to read EFB's comments to the DEBRA initiative visit [our website](#).

EFB continues to support the DEBRA initiative and offers its continued cooperation to the European Commission.

If you would like any further information of how the DEBRA directive has developed, you can visit the European Commission's website [here](#).



Corporate Sustainability Due Diligence (CSDD)

On **23 February 2022**, the **European Commission put forward its proposal** for a **Directive on Corporate Sustainability Due Diligence (CSDD)**. The Proposal lays out rules centred around new due diligence obligations for companies with regards to actual or potential adverse environmental and human rights impacts of their own operations, including operations of their subsidiaries and value chains, and the liability of companies in the case of violation of these obligations.

The state of play of the CSDD is as follows for the time being: The European Parliament is trying to decide which committees will be in charge of the CSDD proposal. **There have been several suggestions put forth by associations with regards to:** the trickling effect of the CSDD from large companies to SMEs in their value chain, lack of alignment with international standards and the call for more clarity.

At present the aim is for a general consensus on the CSDD by December of this year.

EFB has written an opinion on the CSDD which will be published soon.

CSRD - Corporate Sustainability Reporting Directive

The **Corporate Sustainability Reporting Directive (CSRD)** was agreed to **between the Parliament and Council on 21st June 2022**. Back in 2021, the Commission adopted its proposal for a Corporate Sustainability Reporting Directive (CSRD), amending the Non-Financial Reporting Directive (2014/95) (NFRD). This seeks to further established rules and principles for large companies' obligations to report on environmental and social sustainability issues on an annual basis, and introduced a 'double-materiality' principle, meaning that companies have to report on both how sustainability issues affect their business and on their own impact on people and the environment.

The CSRD proposal is a part of the Commission's Sustainable Finance Package and combines revision of several existing pieces of legislation.

The following are some of the main insights into the CSRD's scope:

For the first 3 years of the application of the Directive, if the company is not able to collect all necessary value chain information, then reasons for why the information could not be obtained need to be provided as well as the efforts the company went through to try to obtain information.

- By **31st June 2024**, the European Commission is to adopt a **Delegated Act** to provide for sustainability reporting standards that specify the reporting requirements for subsidiaries or branches of third country undertakings.

- The sustainability report together with the assurance opinion ought to be published **within 12 months of the balance sheet date of the financial year** from which the report is drawn up.

The CSRD is to be applied:

· As of the **1st January 2024**, the Directive will apply **for large undertakings** already in scope on the NFRD.

· As of the **1st January 2025**, the Directive will apply to **all other undertakings in scope of the CSRD, except for SMEs**.

· As from **1st January 2026**, the Directive will apply **to SMEs, but with a possibility to opt-out until 2028**.

If you would like more information on the CSRD visit [New rules on corporate sustainability reporting: provisional political agreement between the Council and the European Parliament - Consilium \(europa.eu\)](#)

SME Envoy Meeting

Earlier in the year, EFB attended an SME Envoy meeting in Luxembourg in which EFB's Secretary General took the opportunity to emphasise four crucial points which need to be taken into account when the European Commission is considering the new CSDD and CSRD and how this will impact SMEs.

The following are the points made by Mr Casado before the SME Envoys and European Commission:

1. To comply with the reporting regulations of the CSRD, there ought to be the creation of a digital platform for companies in Europe to provide the reporting information required by the directive. This will help to ensure there are no additional costs to SMEs. The example of the digital platform that FBN has created with UNCTAD, so that Family Businesses could do a self-assessment on their compliance with the SDG's was provided. The Deputy Director General, Hubert Gambis, welcomed Mr Casado's proposal and further stated that the European Commission will study the initiative.
2. How will the CSDDD will impact SMEs in practise?
3. The need for a mechanism to ensure that non-EU countries are complying with the reporting standard efforts that companies in the EU are making. Especially, if these companies are operating in the European market.
4. Companies need time to implement the reporting changes required by the CSRD and CSDDD.

Taxonomy

One could characterise the 2020s as the decade of sustainable finance mobilisation. An overarching topic related to this is transparency. Transparency is so crucial that the European Commission has approved, in principle, the amendments to the Taxonomy Disclosure Delegated Act (3). It is about allowing investors to have visibility with regards to how much of their investments come from as it pertains to for instance: how much of their investment contains natural gas or renewable sources.

If you would like further information as it pertains to the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation you can find it [here](#).

EFB's Governance

European Family Businesses' board re-elected Mr Udo J. Vetter as EFB's president for another term. We thank Mr Vetter for his continued commitment to EFB.



In addition, EFB would like to welcome Ms Giovanna Gregori of AiDAF to the Management Committee.



EFB's board re-elected Mr Stefan Gugushev and Mr Julian von Moeller to continue being Executive Committee Members for another term.



Stefan Gugushev
Gugushev & Partners
Law Offices



Julian von Moeller
Moeller Group

As Mr Peter Villax's term has come to an end, we would like to thank him for his support.

