

Position on the Proposed Regulation Extending SME Measures to Small Mid-Cap Enterprises (SMCs)

Burden reduction and simplification for competitiveness of small mid-cap enterprises - Omnibus Regulation

The Industrieverband Schneid- und Haushaltwaren (IVSH) welcomes the European Commission's proposal to extend selected SME relief measures to small mid-cap enterprises (SMCs). This is a long-overdue and necessary step toward a more proportionate regulatory framework that reflects the realities of mid-sized industrial companies in Europe.

As highlighted in our previous assessments and the IVSH Bureaucracy Monitor, mid-sized companies — especially in the household goods and cutlery sector — face a disproportionate administrative burden. While they have outgrown the SME definition, they often lack the resources of large corporations to comply with increasingly complex EU regulations. The proposed changes, including simplified GDPR obligations, streamlined trade defense procedures, and reduced reporting requirements under the F-Gas and Battery Regulations, are therefore highly welcome.

We encourage the European institutions to adopt this proposal swiftly and to consider further steps to reduce red tape and strengthen the competitiveness of Europe's industrial mid-cap segment.

IVSH remains committed to contributing constructively to this process and is available for dialogue with policymakers and stakeholders at EU level.

The Remaining Problem of Indirect Burden Through Supply Chain Obligations in Various Regulations

Despite the positive intent and scope of the regulation, we must raise a fundamental concern: the extension of formal exemptions to SMEs and SMCs does not automatically, or even sufficiently, shield them from indirect regulatory burdens —

particularly those arising from their role in the value chains or customer relations of larger, more regulated entities.

This issue especially remains acute in the context of horizontal legislation such as the Corporate Sustainability Due Diligence Directive (CS3D), the Corporate Sustainability Reporting Directive (CSRD), and possibly the Digital Product Passport (DPP) framework (depending on the layout and requirements) - but also regarding various sector or topic specific regulations (plastics, FCM, etc.). Even if SMEs and SMCs are formally exempted from direct obligations, they are often required or forced by "intra-business" trickle-down effects to provide extensive data and documentation to their upstream or downstream partners who are subject to full compliance.

Key Risks:

- De facto reporting obligations: SMEs and SMCs are frequently asked to i.a. deliver ESG, human rights, product information and environmental data to fulfill the due diligence or reporting requirements of their clients / customers. Often exceeding the necessary and legal requirements or under direct "pressure" of those partners.
- Administrative overload: These indirect obligations can replicate or even exceed the burden of direct compliance, undermining the intended relief and often undermining the regulations well-meant intention to ease the burden for SMEs and SMCs.
- Legal uncertainty: Without a clear legal cut-off or safe harbor, SMEs and SMCs remain exposed to cascading compliance demands, often exceeding baseline legal requirements.

Policy Recommendations

To ensure that the proposed measures deliver more meaningful relief, the following elements must be addressed more forcefully.

1. Legally Binding Value Chain Cut-Off

It must be explicitly stated in respective regulations and related legislation and acts that exempted SMEs and SMCs are not required to fulfill the same due diligence obligations and requirements as their larger counterparts. This includes a prohibition on passing down full compliance requirements through contractual backflow and possible punitive measures and safe-guard mechanisms if larger entities are doing so. For larger entities it must formally be possible to achieve compliance without relying on (often extensive) SME and SMC input, or using as little data as possible or standardized minimal reporting schemes (e.g. VSME) that account for sector specific differences (e.g. through consolidation of product groups for thousands of very similar products, as specific in our sectors or overall companies based cradle-to-gate information on Carbon Footprints) in our sectors with thousands of products only product group or overall companies based cradle-to-gate information on Carbon Footprints).

2. Presumption of Compliance for Intra-EU Supply Chains

For supply chains operating entirely within the EU, there should be a rebuttable presumption that environmental and human rights standards are met. This reflects the high level of regulatory alignment and enforcement across Member States and would significantly reduce the documentation burden for SMCs. Harsh punitive measures and effective market control should address those who are not fulfilling their requirements.

3. Recognition in Trade Agreements and Digital Instruments

The principle of proportionality and the presumption of compliance should be embedded in trade agreements and digital compliance tools (e.g. DPP), ensuring coherence across legal frameworks.

4. Clear Scope Limitation of Due Diligence Obligations

As demonstrated by the implementation of the German Supply Chain Act (LkSG), extending due diligence beyond direct suppliers is often impractical and ineffective. esp. for SMEs/SMCs. EU legislation should therefore clearly limit the scope of obligations to direct business partners and directly affected issues, unless there is substantiated risk.



Conclusion

This Omnibus Regulation proposal is a constructive step toward a more proportionate regulatory environment for SMCs. However, without complementary safeguards in horizontal legislation, the intended relief may be neutralized by indirect obligations. IVSH therefore urges the European Commission and co-legislators to adopt a holistic approach that ensures regulatory relief is not only formal but also functional.

About IVSH

The Industrieverband Schneid- und Haushaltwaren e.V. (IVSH) represents nearly all companies of the cutlery, cutting and household goods industry from Germany and other European countries (Netherlands, Switzerland, Austria, etc.). Our industry is responsible for thousands of jobs and billions in revenue in Germany and Europe. The sector produces high-quality everyday products that are appreciated and loved worldwide and contribute to social cohesion. Our industry stands out for its strong commitment to social responsibility and sustainability, offering durable, high-quality products that reflect our values and long-term vision. Elements of circular economy have been part of our practices for decades, demonstrating our dedication to resource efficiency and environmental stewardship.