MINISTRY OF INDUSTRY, BUSINESS
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Danish input to how to reduce administrative burdens

The Danish government fully shares the aim of reducing and simplifying reporting requirements. We appreciate the Commission's initiative to launch the call for evidence related to '*administrative burdens – the rationalization of reporting requirements*' concerning the Commission's aim of reducing reporting obligations by 25 per cent. Reducing administrative burdens is a prerequisite for maintaining the competitiveness of European businesses amid geopolitical tension and increasing global strategic competition. To this end, Denmark would kindly like to bring attention to:

- The fact that the implementation of the CSRD has been estimated to cost five times more than originally estimated;
- That we need coherent policy measures that set common minimum standards and common criteria for ESG-solutions;
- That the Digital Product Passport serves as the default option when it comes to product data sharing requirements;
- That redundancies and duplications are avoided.

Sustainability reporting

Administrative burdens related to corporate sustainability reporting need special attention. The green and digital transition of European businesses is necessary to deliver on the global challenges facing us. However, we will not achieve the important aim of the vast number of new and upcoming legislation if companies are not able to comply with the new requirements. In particular, Denmark is very concerned about the expected administrative burdens related to the upcoming corporate sustainability reporting. New estimates – carried out on behalf of the Danish government – show that businesses' implementation and annual costs related to the CSRD could prove more than five times more costly than initially expected based on an extrapolation of the Commission's original estimates. We must direct particular attention towards reducing these burdens or risk jeopardising support for the green transition as well as confidence in European competitiveness.

The extension of the materiality assessment to all standards except from the general standards and the postponement of the deadline for the adoption of the sectoral European sustainability reporting standards by two years are both welcome and helpful in this regard. But more needs to be done. With a view to the preparation of the sectorial reporting standards as well as reporting standards for SME's and third country undertakings, we need to focus on high quality reporting and not the sheer number of reporting requirements.

The SME standards will be crucial as these will not only set out the reporting obligations for in-scope SME's but also the scope of data that larger companies will need from SMEs in their supply chain in order to fulfill their reporting requirements. It is therefore of utmost importance that the upcoming standards become proportional in scope and quantifiable in nature. While qualitative disclosure requirements are important to provide context to the quantitative calculations, allowing for comparisons across sectors and industries, too many qualitative disclosure requirements in the upcoming standards will risk decreasing the value-added of the standards and make room for greenwashing. Even more importantly, it will reduce the potential of digital, standardized and automated sustainability reporting which is fundamental for minimizing the compliance burden and thus preserving European businesses competitiveness in the green transition.

To make European sustainability reporting a success, we must learn from our experience with reducing the cost of businesses' annual financial reporting and improve and standardize the digital infrastructure around sustainability reporting in similar vein. If we succeed, we will not only be able to reduce companies' administrative burdens but also enhance the trustworthiness of the companies' sustainability reports.

To this end, we need a coherent set of policy measures that may encompass:

- Common minimum standards and a robust, decentralised sustainability data infrastructure underpinning EU legislation (as mentioned in the previous section).
- Common criteria and minimum requirements for various ESG-solutions, such as functional requirements for business systems, emission calculation standards following internationally recognised methodologies as well as transparency requirements for data providers to incentivise openness in the collection, storing and use of sustainability and supply chain data.
- Establishing an accessible, authoritative and interoperable EU database with officially recognised sustainability related data, e.g. CO_2-emissions factors.
- Making sure that the Digital Product Passports, as proposed in the Ecodesign for Sustainable Products Regulation, serve as the default option for future product legislation that sets out product data sharing requirements.

Such policy measures present a sophisticated and ambitious approach to achieve the 25 per cent reporting reduction target without undermining the policy objectives on sustainability while maintaining the pivotal role of businesses in advancing the green transition.

Reducing reporting requirements
The initiatives tabled with the Commission 2024 work programme, aiming at bringing about more than EUR 3 billion in cost savings, are all steps in the right direction. We especially welcome the newly adopted directive which amends the thresholds in the Accounting Directive for determining the size category of an undertaking to account for the impact of inflation as well as the proposal to postpone the deadline for the adoption of the sectoral European sustainability reporting standards by two years.

However, these measures will have to be complimented with additional measures to further reduce businesses' reporting burdens.

The excessive reporting burden is not only created by too many reporting requirements but also by duplications and overlaps across different pieces of legislation, which leads to cumulative burdens. We particularly need to ensure consistency and coherence in reporting requirements related to new sustainability legislation such as:

- *Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464) (CSRD)*
- *Proposal for a Directive on Corporate Sustainability Due Diligence Directive (CSDDD)*
- *The Sustainability-Related Disclosure Regulation (SFDR)*
- *The EU Taxonomy Regulation on Sustainable Finance*
- *The Ecodesign for Sustainable Products Regulation (ESPR)*

Make reporting more efficient through a seamless and secure exchange of business data
To reduce burdens stemming from businesses reporting obligations significantly, we need to seize *"the opportunities of the data economy and standardised business data*" as outlined by the European Council in its conclusions from October 2023.

The common digital standards and components that the EU has already developed should be the foundation for similar efforts on a European level. The Connecting Europe Facility (CEF) serves as a cornerstone in this endeavour, offering essential digital building blocks such as eDelivery, eID, and eInvoicing that serve as critical infrastructure to facilitate more effortless cross-border interactions for businesses within sectors ranging from economy and finance to energy and public security etc. To fully unlock the potential of these foundational elements, it becomes imperative to achieve broad adoption of these building blocks throughout EU legislation. The present lack of standardisation creates barriers to digitisation and automation which entails that businesses must often adapt to several different systems with different digital maturity varying from manual reporting forms to more advanced and automated systems when complying with different reporting requirements with the results of heavy burdens – particularly on SMEs with limited administrative capacity. In addition, greater use of standardization will significantly reduce the fragmentation that businesses currently experience when sharing data with various business partners and authorities across different Member States.

Clear standards that the market can apply uniformly across future legislation such as the CEF Building Blocks enable secure and smooth data exchange across borders that should be utilized to its fullest potential to improve the efficiency of complying with various reporting requirements. Furthermore, the common European Digital Identity Wallet, if implemented properly, provides an excellent opportunity to empower businesses across the EU to interact seamlessly with other businesses as well as digital public services, potentially reducing administrative burdens significantly.

Hence, we call on the Commission and Member States to reduce burdens from reporting obligations by:

- Implementing standardized, interoperable electronic data formats for easier submission of required information across EU Member States.
- Requiring standardized system to system data exchange for reporting with authorities, so that reports can be sent to all systems.
- Aligning reporting requirements with existing international digital standards and frameworks to facilitate cross-border trade and investment.
- Promoting data sharing among Member States and government agencies, enabling businesses to reuse data across various reporting requirements.
- Defining common minimum digital standards for future legislation and use CEF building blocks more consistently.
- Simplifying tax and VAT regulations by adopting digital and standardized tax systems and e-invoicing.
- Making use of the eID-wallet by following an "eID Wallet by default"-principle to ensure that businesses face coherence across all EU legislation in terms of digital certificates and power of attorney.

Through simplifying and automating reporting requirements, businesses can benefit from increased efficiency, reduced compliance costs, and ultimately, spur economic growth and innovation.

The Danish government stands by the Commission in the endeavor to further reduce administrative burdens for businesses and will remain at its disposal to elaborate on the ideas presented here and to continue the exchange of ideas. To support this effort, The Danish Business Regulation Forum has presented to the Danish Government a number of recommendations to improve the existing efforts to further better regulation and reduce unnecessary burdens on businesses, which we will provide to the Commission shortly.