



08 August 2022  
2022 - 4706  
otfruh

## **Danish Government response to the EFRAG public hearing on the draft standards to the Corporate Sustainability Reporting Directive.**

First of all, the Danish Government would like to thank EFRAG for the comprehensive work on drafting the coming European sustainability standards linked to the Corporate Sustainability Reporting Directive (CSRD). We see the standards as an effective tool to ensure transparency and comparability of sustainability reporting, thereby supporting the transition into a sustainable economy. It is furthermore essential to create transparency and comparability regarding sustainability and make rules that is fit-for-purpose and adds value for the users of the data.

The European Sustainability reporting standards will not only have a big impact on sustainability reporting and the availability of sustainability information, but ideally also facilitate a market-driven transition to a sustainable economy, thereby having a positive impact on the transition of the European companies' business models and strategies towards a more sustainable future.

The Danish Government supports EFRAG in establishing a relevant set of standardized ESG indicators. The set of ESG disclosures must be compatible with the needs for information from the financial market participants as required by the Disclosure Regulation and the Taxonomy Regulation, thereby providing companies, investors and other stakeholders with structured data to make informed choices on sustainability challenges.

### **Ensuring value creating sustainability reporting**

The Danish Government agrees that both investors and other stakeholders are asking for more relevant, reliable and comparable information. Reporting on relevant ESG KPI's is essential for a fair, balanced and understandable report and this will positively contribute to transparency.

It must be ensured that the standards generate value for both the users of sustainability information and the companies reporting. It is important to ensure that the disclosure requirements achieve the overall goal while allowing the reporting companies and authorities a swift and efficient implementation as well as avoiding information overload for investors, consumers and other stakeholders from too much data.

**The transition of sustainability reporting**

The CSRD will change the annual reports radically, as sustainability information will be a more significant part of the annual report. It must be ensured that the objective of this transformation of sustainability reporting is operable for many users of the data. Being sustainable must become a competitive advantage for our European companies and a top priority for all companies.

The disclosure requirements must be executable for the reporting companies, and at the same time help the companies and incentivize them in leading the way for a green and sustainable transition. By starting with an executable amount of key disclosure requirements we ensure that the quality of the reporting is a good starting point for further development of sustainability reporting. This will increase the effect of the reporting scheme and give the whole value chain time to adapt to the green and sustainable transition. Over time, the reporting can be extended.

It is also essential to assess whether all of the disclosure requirements are relevant for the stakeholders and for all companies in scope also keeping in mind that not all companies have the same kind of resources available. We therefore underline the importance of evaluation on whether some requirements are more relevant in sector-specific standards. To ensure that the purpose with the CSRD is met, it is important that companies can implement key comparable figures for sustainability matters relatively quickly. Therefore, a stepwise introduction of standards where the most important are introduced first should be considered. This approach would also benefit SME's that will be indirectly affected by the regulation due to their role as data providers to undertakings within the scope of CSRD.

We request EFRAG to revisit the disclosure requirements regarding governance as the current draft has requirements that are already covered by the accounting directive and thus creates a parallel set of rules which must be avoided.

After the summer break we will come back to you with a more technical annex elaborating on our position regarding the specific content of the disclosure requirements.

We look forward to following the future work on the standards and we stand ready to share our Danish experience in order to ensure an effective market-driven transition to a sustainable economy.