



**MINISTER FOR INDUSTRY,  
BUSINESS AND FINANCIAL  
AFFAIRS**

## **Danish Government response to EFRAG public consultation on draft amended ESRS**

The Danish Government finds it necessary to significantly reduce the burdens of sustainability reporting. Companies should only be required to provide information that the market demands in relation to green financing, and the infrastructure for sustainability reporting must be coherent across the value chain and sectors. The Danish Government sees potential in streamlining and simplifying the standards for sustainability reporting significantly.

The Danish Government therefore welcomes the proposed amendments to the ESRS and thanks EFRAG for the work and effort put into the simplifications. The changes have made a much-needed reduction in datapoints and simplified and made clearer the principles of the sustainability reporting process. That said, the Danish Government would be supportive should further feasible reductions in datapoints be identified and taken into consideration.

The Danish Government wishes to highlight that the double materiality assessment is crucial for ensuring both relevant reporting and a reduction in administrative burdens. While the amended ESRS standards have brought greater clarity to the concept of double materiality, the process itself has not been simplified or reduced in scope. We are therefore concerned that these changes may not achieve a sufficient alleviation of reporting burdens.

It is crucial that reporting focuses on material topics and material information to ensure relevant reporting that is useful for decision-making. Also, sector guidance is especially called for in the market. Therefore, the Danish Government believes that sector-specific guidance can support and limit the double materiality assessment in such a way, that the reporting is focused and useful, especially for the financial sector. In this way, it is possible both to reduce the burden on reporting companies, as their double materiality assessment becomes less extensive and more sector-oriented, and to make the reporting more decision-useful.

At the same time, ensuring a high level of interoperability between different legislative frameworks and international standards that businesses are met with is important to avoid unnecessary burdens including double reporting, duplicative work as well as to enhance understandability.

**MINISTRY OF INDUSTRY,  
BUSINESS AND FINANCIAL  
AFFAIRS**

Slotsholmsgade 10-12  
DK-1216 Copenhagen K  
Denmark

Tlf. +45 33 92 33 50  
Fax +45 33 12 37 78  
CVR-nr. 10092485  
EAN nr. 5798000026001  
em@em.dk  
www.em.dk

We believe that EFRAG has achieved this to some degree, however, we find that there are still some areas of concern that we would like to bring to EFRAG's attention and request EFRAG to revisit in order to ensure a common understanding amongst company preparers, auditors, financial institutions and authorities.

For instance, we have already found different understandings amongst preparers and auditors regarding what should constitute the scope of reporting, including how much entity-specific information to include in the context of the requirements related to the double materiality assessment and the concept of "fair presentation". For financial sector undertakings this ambiguity is further exacerbated, since the definition of the value chain of financial undertakings remains unclarified. To mitigate this, a clear definition of the value chain of financial undertakings should be included in the directive, as suggested by EFRAG. Alternatively, if no such definition is included, sector-specific guidance should include such a definition.

We have also observed a number of differences in interpretation between auditors and preparers. Although this will, in our view, be partially mitigated through enhanced interoperability, we find it crucial to eliminate any remaining risks of ambiguity in the standards. EFRAG can achieve this by ensuring that terminology and concepts in the standards are sufficiently clarified and that, where significant differences in terminology or approaches exist, in-depth guidance or clarification is provided.

Furthermore, we would like to highlight to EFRAG the importance of ensuring strong interoperability between the ESRS standards and the voluntary SME standards (VSME), in order to minimize any potential trickle-down effects on undertakings in the value chain.

Finally, navigating the regulation, which includes the standards, the directive, and potentially Q&As, is very complex and challenging. We therefore see a strong need for guidance from the Commission, both regarding the interpretation of the standards themselves and for auditors, in order to ensure shared understanding and reduce any divergences.

If anything is unclear or questions arise, please do not hesitate to reach out.