

Ambitious reporting requirements for sustainable transformation

It is a key priority for the Danish Government to enable the green and sustainable transformation. The Danish government has set an ambitious target to reduce greenhouse gas emissions by 70 % in 2030 as well as protect the environment in accordance with the United Nations Sustainable Development goals. Capital and investment are necessary in order to finance transformation at the company level. Leaders at Davos 2020 underlined this – investment and finance will increasingly be directed towards sustainable activities. We need to make sure that European businesses are optimally equipped to attract the increasing amount of green and sustainable investment funds both at the European level, but also at the global level.

Danish priorities

An ambitious and sustainable revision of the NFRD should rest on the following key priorities:

Differentiated levels of reporting

The Danish Government supports an ambitious approach to ESG-reporting that includes reporting on emissions and climate and environmental footprints in order to facilitate a sustainable transformation of our economy and society. Different levels of requirements depending on company size and resources can ensure reporting tailored to expected ability. The Commission should be encouraged to look at a three-level regulation:

- *First level*, keeping the **full set of requirements** including the reporting requirements for non-financial companies in the Taxonomy Regulation for the current scope of the NFRD.
- *Second level*, introducing a set of **minimum core requirements focused on ESG reporting** on a set of relevant KPI's for the public interest companies with 100 to 500 employees and large companies which should seek to achieve coherence with the requirements under the Disclosure regulation.
- *Third level*, **voluntary simplified standards for SMEs** with a core of ESG indicators aligned with reporting requirements in the Disclosure Regulation to the extent possible. The criteria of the scope of each level should be clear and clear guidance should be provided for companies – especially for SMEs.

Structure and digitalization

Accessibility and transparency of non-financial information should be strengthened which will make it easier to find and compare specific information. All non-financial companies in Denmark starting from 2012 have reported their annual reports digitally. The transition from printed annual reports to digital reports have been smooth. Both for the companies reporting, the users of the information, and the authorities who will all get a better overview of information and benefit from the easy, digital access. Looking forward, there is a great potential in exploring possibilities for **making non-financial information digital**.

Disclosures on policies

The disclosure requirements regarding policies on ESG should be updated to ensure that the reported information is value-creating for users of the non-financial information. They must also be clear and obvious so the companies understand what information they are expected to report. A set of more specific requirements to the content of policy reporting should be introduced in order to ensure the disclosures are verifiable, relevant, recent and contributes to a fair, balanced and understandable report.

Non-financial standard setting in the EU

European standards can be a step in the right direction to reach the long-term goal of a global standard. Alignment between the NFRD, the reporting requirements of the Disclosure and Taxonomy Regulation and the guidance/standard must be ensured. The work done in regard to standards and guidance for companies must enable digital solutions and a future standard should take the vast possibilities from **digital reporting** into account.