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The Danish Government's response to the Targeted Consultation on the establishment of a European Single Access Point (ESAP) for financial and Non-Financial information publicly disclosed by companies

The Danish Government supports the initiative of the Commission to establish a European Single Access Point, gathering public financial and non-financial company information from other existing systems. The Danish Government considers this initiative a positive step, fostering digitalization and ensuring transparency and easy access to important comparable information for investors and other stakeholders, hence facilitating the further development of the Capital Markets Union (CMU) and a market-based transition to a sustainable economy.

The Danish Government supports the Commission's efforts towards strengthening transparency and comparability across Europe, while underlining that this initiative should work together with existing national systems. The aim should be to ensure wider access to the information, while not imposing disproportionate burdens on the reporting companies, the companies in general, or investors using the information. This is in line with the Council conclusions on the Commission's CMU Action Plan from December 2020.

In order to avoid imposing unnecessary administrative burdens on companies and Member States it is crucial not to require companies to report the same information to various authorities/systems. The Commission should therefore ensure that ESAP is compatible with national reporting systems already in place – and with the European Single Electronic Format (ESEF). Any proposal establishing a ESAP should be based on a thorough and detailed impact assessment to counter challenges and risks of overlaps with existing systems as well as privately provided services.

We therefore stress that a thorough mapping and cost-benefit analysis must be performed to identify the nature of demand for information and provide a quantitative basis for assessing costs and benefits of an ESAP. Only this could allow the Commission to move swiftly forward in the areas where there is a strong demand and need for transparency and easily accessible

comparable data, such as for sustainability data, while waiting or even refraining from including very specialised financial data only relevant to a subset of investors.

The Danish Government suggests a step-by-step approach:

Step one – information already available in a machine readable format and sustainability information: Should focus on transparency regarding information that is already digitally available in machine readable formats such as XBRL. From Danish non-financial companies this would be data reported in the annual report. It should be noted that the information from the annual reports might not be comparable, as the member states can choose different options for recognition and measurement. However, data availability will be an advantage.

Furthermore, an important first focus of ESAP should be securing access to standardized and comparable sustainability data. There is a clear and growing market demand for such data, while availability and comparability are lacking. The ongoing review of the non-financial reporting directive (NFRD) and the implementation of the Disclosure and Taxonomy Regulations provide good opportunities for establishing structured data to form the first elements of ESAP. It is important that the financial and non-financial information from the annual report is aligned. As this information could be made digitally available in a machine readable format within the near future the Danish Government proposes to expand ESEF to include sustainability information already in step one.

Step two – information that is already digitally available: The Danish Government suggests a focus on information already digitally available, but not necessarily in a machine readable format, regarding financial companies such as certain information under the Short Selling Regulation or the Transparency Directive¹. Certain aspects would need further harmonization in the specific acts before inclusion would be possible.

Step three – information where there is a potential for harmonization: The Commission should look into possibilities to further harmonize reporting requirements regarding financial and non-financial information for non-listed companies which have cross border activities or which on other grounds have a need to present their financial statements in more countries. It could be relevant to assess whether IFRS for SMEs could form the basis for such a harmonization.

Finally, any possible further expansion of ESAP to specialised financial data only relevant to a subset of stakeholders, should be based on thorough cost-benefit and demand analyses as mentioned above.

¹ For more detail see [annex 2 or the questionnaire]

The scope of ESAP

In Denmark, non-financial undertakings are obliged to submit digital (XBRL) annual financial statements to The Danish Business Authority. The mandatory digital submission was introduced over the course of the period 2012-14. The Danish experiences with this type of digital reporting are very positive, and we therefore recommend including them in the first step of ESAP. To avoid administrative burdens, this information should still be digitally reported in the national system, and then automatically be made public through ESAP as well. The tasks of ensuring data exchange and interoperability should hence be placed with the authorities through automated solutions, not the companies. However, assignment to relevant authorities depends on the structure and goal of the ESAP as well as any potential additional information/data requirements.

Sustainability related information, and in particular information and data feeding into the demands of the Sustainable Financial Disclosure Regulation (SFDR), would be very beneficial to include. Data provided through this regulation could serve as another good starting point for ESAP inclusion. Reporting templates under the SFDR are being standardized and data on sustainability risks are generally scarce, but important for investor decisions. However, this has to be done with respect to Officially Appointed Mechanisms (OAMs) and while keeping the burdens of data validation at a minimum.

In regard to sustainability data, the Danish Government would like to underline the importance of giving companies access to “upstream” sustainability data, which the reporting companies need to make reliable calculations. The Danish Government therefore stresses that similar initiatives are needed aiming at giving better access to the data needed by non-financial companies. One such example is data on direct and indirect emissions of CO₂ equivalents of a wide range of both energy and non-energy resource consumption throughout value chains, i.e. allowing companies to assess their carbon footprint in scopes 1, 2 and 3 of the Green House Gas Protocol. We understand that this is outside the scope of ESAP, but it is an important factor to limit the burdens for the companies. This is further elaborated in annex 1.

As a consequence, we find that the scope should be targeted in order to maximize benefits while avoiding unnecessary burdens. A main guiding principle should be that quality of information must outweigh quantity, and information overload should be avoided. Only high quality, consistent, timely and correct information will be able to instill the necessary trust and credibility in the system and facilitate investment decisions across the EU. We therefore urge that any ESAP project be developed as a step-by-step process over time allowing for identification of relevant (sectoral) infor-

mation for inclusion. If undertaken, such a project should start with a targeted, but harmonized set of information in structured machine-readable formats across the EU, as described above.

Please see annex 2 for a more detailed argumentation regarding including information made public under each of the acts listed in the public consultation question 7 in ESAP.

Usability and accessibility

The Danish Government agrees that financial and non-financial company information should be included in a comparable, digitally structured format with a clear scope focusing on information relevant to a broad set of users.

The Danish Government is open to how the information might be accessible once in ESAP and it should allow for efficient data processing.

To allow for a broad set of users and ensure a user-friendly interface, the Danish Government recommends that the portal cater to national language regimes and that search functions will be made available in all EU languages. Regarding reporting, ESAP should not focus on one or a few languages but respect the carefully considered language regimes in the sectoral legislation, and for information that today can be given in national languages, this should remain possible in the future. We wish to underline that the subject of translation of reporting is already a source for large expenses for many companies, to which we should not add.

Infrastructure and data governance

The Danish Government strongly believes that the infrastructure should leverage and expand on existing national systems in Member States rather than phasing out such systems, whether at EU or national level.. This could be done by inter-connecting the available systems. Moreover, not every nationally relevant information is relevant to a cross-border solution and the current systems in a Member State also rely on non-standardized data formats from multiple stakeholders. These differences should be taken into consideration.

The Danish Government strongly recommends that ESAP is built on existing national reporting systems, i.e. that the ESAP is not the single or first reporting channel but an access point where information is supplied via existing systems.

We therefore recommend that there is no additional validation requirement of the information going into the ESAP, as such checks are placed at the original data entry point.

Entities with no access to capital markets (non-listed entities), including SMEs

The Danish Government supports the initiative of the Commission in the European Green Deal to evaluate the Non-Financial Reporting Directive (NFRD) and in this regard to consider expanding the scope to include more companies, as well as facilitating voluntary reporting on sustainability aspects by SMEs.

The Danish Government would find it beneficial if more companies could be encouraged to report on non-financial information voluntarily to ESAP, while keeping in mind that resources, size and competences vary significantly at the company level in Member States, and therefore a requirement for SMEs to report would be disproportionate. This is not without challenges as we also support the view that if you use or opt into a regime you should follow the same rules. We see no reason for a different approach in the ESAP.

We do however see significant challenges if the scope were to include all companies regardless of size or sector, whether mandatory or on a voluntary reporting basis, as their systems and governance structures are not equipped to address this type of reporting and it is not proportionate to ask them to participate considering their local and regional market orientation.

To help overcome this, the establishment of ESAP should be coherent with the work in the current revision of the NFRD and a voluntary standard for SMEs should be established. The voluntary standard should focus on a core of ESG indicators, which should also, to the extent possible, be aligned with reporting requirements in the SFDR. This would allow SMEs to create transparency around their sustainability initiatives towards investors, hence facilitating the process of attracting capital.

Costs and benefits

The Danish Government encourages the Commission to ensure that the establishment of a European Single Access Point is based on automatically collected information from existing European or national systems for digital publication of financial and non-financial company information in a comparable standardized machine-readable format.

Notwithstanding such a solution, implementation of an ESAP regulation covering capital market participants would have considerable administrative consequences imposing significant burdens to the capital market sector since it would require resources (IT, human etc.).

Financial institutions and companies operating in the capital markets publish a considerable amount of information and there are a wide range of databases, registers, etc. already set up to address publication requirements and information access for the public. Therefore, ESAP should be based on

a thorough market analysis and impact assessment to evidence several aspects. Firstly, presence of market failure in providing this information. Secondly, establishing the demand for information from the potential target audience in order to ascertain the benefit of the proposal. Thirdly, the costs and benefits of a system developed in the public sphere as opposed to a private endeavor, considering the costs of establishing as well as operating such a system. The Danish Government recommends the Commission to focus the efforts in the areas where no private operators are providing a market covering service, such as on ESG data.

When considering format and content, due consideration must be given to ensure easily accessible information that will be used by the intended target group and thus avoid information overload in the system. In this context we would question the benefit of including data that is not in an EU-standardized and structured format whether initially or at a later stage.

Finally, when it comes to funding we find it important that ESAP should be funded by EU funds. It is important that the funds come from the existing EU budget and does not lead to further contributions to the EU budget from the Member States.

In conclusion, the Danish Government finds the Commission's focus on transparency of financial and non-financial information publicly disclosed by companies to be an important step towards facilitating a market-based transition to sustainable finance and a more integrated CMU. This, however, must be done in a proportionate and targeted fashion, focusing in the first place on information of relevance to a broad set of investors across the EU and where comparable data is lacking today. Furthermore, existing systems should be used to the extent possible in order to avoid increasing administrative burdens for companies as well as authorities.

We look forward to continuing contributing actively to the process of establishing an ESAP and are at your disposal for further elaboration.