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Danish government response to the consultation of MSEG and ARC regarding the draft European Sustainability Reporting Standards

The Danish Government would like to thank the Commission for the hearing of the Member States Expert Group (MSEG) and the Accounting Regulatory Committee (ARC), regarding the draft European Sustainability Reporting Standards (ESRS).

The Danish Government support the objectives of the Corporate Sustainability Reporting Directive (CSRD) aimed at enhancing and standardizing digital sustainability reporting, contributing to the sustainable and digital transformation of European businesses.

We see the standards as an effective tool to ensure transparency and comparability of sustainability reporting. It is essential to create transparency and comparability regarding sustainability and make rules that are 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.

Given the statutory nature of the CSRD on sustainability reporting, it is of great importance that the standards are meaningful, understandable and provide guidance for meeting the requirements.

In general, it is very important that the final reporting standards are executable for the reporting undertakings if the CSRD is to be a success. We acknowledge that the European Financial advisory Group (EFRAG) has reduced the number of key performance indicators (KPIs) and disclosure requirements (DRs) when compared to the draft sent for consultation before sending the ESRSs to the Commission, but we are still concerned regarding the extent of the reporting and the potentially high administrative

burdens on the reporting undertakings. There is a risk that data overload will lead to invalid and/or incorrect data.

It must be ensured that the reporting requirements are not too comprehensive – as of now we risk that the many reporting requirements are unmanageable for our undertakings. The reporting requirements must be balanced and lead to reliable reporting, thereby helping the undertakings in leading the way for a green and sustainable transition.

General remarks

We would like to emphasize the importance of assisting the preparers and undertakings when implementing the new reporting standards. To ensure a level playing field amongst the Member States we see a need for an institutionalized set-up regarding interpretations as well as general implementation guidance.

The ESRS contain very extensive DRs, with a high degree of complexity in several areas. Additionally, some of the mandatory DRs go beyond what is needed to comply with other legal requirements. The list of mandatory DRs should still be considered to be reduced if the DRs do not constitute disclosure linked to reporting requirements for the financial institutions. Concerns and considerations on prioritization of DRs apply to the assurance engagements regarding sustainability reporting as well. For some data points, it is more important to be provided with an assurance opinion than for others¹. While we agree that an explanation should be provided, adding the explanation as a part of the submitted sustainability report increases the extent of the report. We suggest that the auditor should be provided with those explanations for the assurance opinion while leaving them out of the sustainability report made public.

Finally, a more extensive phase-in approach should be considered. This is especially relevant for DRs with high granularity as well as the DRs covering areas with immature measurement principles, like biodiversity and DRs with little or sparse application guidance.

For comments regarding the specific draft reporting standards, please see the annex to this response.

¹ E.g., in ESRS 2, paragraph 56 and ESRS 1, paragraph 38, in case the given datapoint is omitted due to the materiality assessment, a brief explanation of this conclusion is required.