

Danish Position-paper on the upcoming Omnibus Simplification Package

With climate change happening before our eyes, we must deliver on the green transition of European businesses. Being green has to be a competitive advantage. Ambitious sustainability reporting can show investors whether a company is green or not. However, ambitious reporting does not mean creating as many requirements as possible. It means creating a reporting scheme that is focused and works in practice so companies can actually and easily deliver the required information, and the market can assess it.

The Danish Government welcomes the announcement of an Omnibus Simplification Package. The proposal must be both ambitious and effective in creating proper simplification for our businesses. Simplifying sustainability reporting can enhance transparency and drive real impact. By reducing complex regulation and reporting, we promote alignment around the most important, standardized sustainability metrics, making it easier to compare progress across companies. This levels the playing field, allowing businesses genuinely committed to sustainability to distinguish themselves through credible and consistent data. Cutting administrative burdens and over-reporting not only incentivizes accountability but also rewards authentic efforts.

To achieve this, we propose three separate, yet interlinked, steps for the Omnibus Simplification Package. The three steps are designed to deliver immediate relief while allowing enough time for a thorough simplification exercise across CSRD, CSDDD and the Taxonomy Regulation:

Step one: Postponement and targeted amendments to the CSRD and the Taxonomy Regulation:

- **Postpone reporting obligations for large companies under the CSRD from 2025 to 2027.**
A two-year postponement will provide large companies more time to prepare, ensure a level playing field across Europe and allow for step 2 (below) to take place. For credit institutions, the reporting requirements coming into effect from 2025 under the EU taxonomy should similarly be postponed.
- **Delegate a sufficient mandate to reduce and simplify the number of reporting requirements.**
Through a delegated act, the proposal should provide a mandate to cut and simplify the reporting requirements by 50-75 %. Creating focused, quantifiable, comparable and digital-friendly reporting should be the main principles.
- **Review the scope of the CSRD so that fewer companies are covered.**
Adjusting the scope of the CSRD in line with the threshold of the CSDDD would create more proportional requirements while still supporting the overall goals of the regulation.
- **Delete the sector-specific standards in the CSRD.**
The need for obligatory sector-specific standards should be reconsidered. If sector-specific standards are to be introduced, they must be voluntary.
- **Postpone the audit requirement in the CSRD by one year.**
This would give relevant companies the time to prepare.
- **Review the scope of the Taxonomy Regulation.**
The necessity of mandatory reporting under article 8 should be reconsidered. The burdens associated with the mandatory reporting does not seem balanced with the usability of the metrics. The reporting can be difficult to compare across companies as it is subject to the business model and interpretation by the reporting entity.
- **Streamline reporting obligations between the CSRD, the Taxonomy Regulation and other financial regulations (including SFDR, MiFID and CRR 3) to eliminate duplication and overlaps.**
Alignment across regulations reduces the need for financial companies to collect information from non-financial companies outside the scope of the CSRD. Regulations that are not directly within the scope of the Omnibus Simplification Package should be revisited afterwards to ensure full alignment.
- **Open to discuss simplifications of the CSDDD.**
We are open to discuss ways to simplify the CSDDD while staying true to the original objectives of the Directive. For instance, making the exemption for financial institutions permanent, so they are not required to conduct due diligence on their clients and investments.

Step two: Simplify the reporting requirements in the delegated act

- **Thorough simplification exercise.**
Deliver an actual burden reduction for businesses by reducing the reporting requirements and the technical screening criteria.
- **Make reporting comparable giving green businesses a competitive advantage.**
Make requirements quantifiable ensuring easy comparability of companies' green efforts, supporting investors in making green investment choices.
- **Digitalisation and automation at the forefront.**
Base reporting on data that enables automated and digital reporting, creating a significant further burden reduction for companies.
- The review should be conducted in close collaboration with the reporting companies and the financial sector.

Step three: Policy measures to promote automated sustainability reporting

- **Create automated sustainability reporting.**
The majority of administrative burdens associated with sustainability reporting stems from companies' collection, handling and sharing of sustainability data in their value chains. Hence, the EU needs coherent efforts to support standardisation, digitalisation and automatization of the processes for sustainability reporting. This requires:
 1. Developing ESG-methodologies
 2. Free and easy access to common emission factors
 3. Common structured and standardised data formats
 4. Minimum requirements for ESG-systems, external data providers, platforms etc.
 5. A common/interoperable European open data exchange infrastructure. See attached roadmap for further elaboration.

- **CBAM should be addressed in a separate omnibus proposal.**

Companies are facing substantial reporting requirements, which many are already required to report on. It is therefore important to tackle the challenges of sustainability reporting requirements as quickly as possible.