

EFRAG
35 Square de Meeûs
Brussels, Belgium

8 August 2022

Consultation on Draft European Sustainability Reporting Standards (ESRS ED)

The Danish Chamber of Commerce (Dansk Erhverv, DE) welcomes the development of a common European reporting framework on sustainability reporting.

However, it is of crucial importance that focus is maintained on the overall purpose; to support and to solve the sustainability challenges facing all.

The draft standards are quite ambitious and make sense from a sustainability perspective. Overall, it is a very comprehensive framework and if the standards are balanced and applied proportionally, it will be able to boost many internal processes for following up on policies and standardization of KPIs. Then it can have a positive effect on the companies' work with the affected areas and transparency about the company's work on the area. A common reporting framework will be important for increasing the coherence, consistency, and comparability of companies work with sustainability – and it will be possible to follow development over time.

However, the complexity and detail of such an exercise presents significant new challenges. For many companies it will require extensive time and work to implement in practice.

To ensure that users receive relevant information while maintaining credibility and legitimacy among the business community, the requirements need to be both proportionate and practical. It is of crucial importance that the ESRS strike the right balance between comparability and consistency on one hand and proportionality and workability on the other.

DE has as a part of the Danish National Funding Mechanism made a joint submission containing a cover letter and one line survey participation. DE fully supports these comments, but would in addition to this statement, like to raise the comments below.

DE acknowledges the remarkable work done in a very short time-span in order to produce a set of draft reporting standards to support the CSRD. The Project Task-Force (PTF) has due to the general timeframes given been working under intense time pressure.

It is therefore understandable that the PTF has not had sufficient time to consider ways of streamlining the text to make the ESRS more user friendly, avoid repetitions and, above all, develop workable reporting principles. We expect that this necessary work will be done before delivering the recommendations to the European Commission.

The reporting standards will impact not only the 50.000+ companies directly covered by the CSRD but also the vast number of companies in the value chains. There is therefore a significant risk that the requirements could turn out to be too onerous (resulting in too large administrative burdens and publication of immaterial information).

DE therefore strongly encourage EFRAG to request more time from the EU Commission to ensure reflection on the comments received during the consultation process and to make the necessary changes needed. Overview and prioritization are key to a successful implementation of the framework.

We believe that the ESRS in total are too granular and will result in an unfocused reporting resulting in information overload. The level of granularity will have a negative impact on data quality, effectively undermine data quality and the purpose of fostering the transition to a more sustainable economy.

We encourage EFRAG to reduce the scope and amount of disclosure requirements of the standards and focus on the key priorities, including ensuring the consistency with the sustainable finance disclosure requirements for the first set of standards.

We suggest limiting the general disclosure requirements and phasing in different reporting topics to the extent possible under the Corporate Sustainability Reporting Directive/CSRD and Sustainable Finance Disclosure Regulation/SFDR. Here, account should be taken of the maturity of the measurement and reporting areas. For instance, the ESRS on Biodiversity, covers areas where there currently is either a lack of or very immature measurement principles and methods available.

The effective dates for the detailed disclosure requirements should be delayed to ensure that an appropriate methodology is developed and that the undertakings covered by the standards have the resources and knowledge available to provide high quality reporting. This allows priority to be given to the most important areas and to support this by the targeted development of measurement and reporting methods.

Also, better use should be made of sector specific reporting requirements (as several disclosures are not generally comparable across sectors).

Furthermore, we suggest avoiding double reporting in the sustainability report and the financial statements. As a point of departure, we believe that the best way to improve alignment and coherence with financial reporting requirements is to avoid including, in the ESRS, disclosures that are provided as a cause of existing rules, for example headcount.

Overall, we support the structure of the standards, but the content of the standards needs to be more streamlined. We suggest to significantly reduce ESRS 1 to describe the principles only and avoid duplication and to simplify the language of ESRS 2.

It must be emphasized that it is primarily listed companies at EU level, that have so far been obliged to report on sustainability. In the future, a new large group of “new-comers” to sustainability reporting will be covered by new and detailed obligations. This includes both not-listed large companies but also companies of smaller size, that will not fall under a lighter regime of the standards for SMVs, which will be developed at a later stage. The standards must provide value for the companies.

We are quite concerned with the extension of the reporting boundary to its upstream and downstream value chain. It will be very difficult for most companies to collect information from its customers (downstream), and even for suppliers (upstream) it will be resource demanding and will be an ongoing work in the years ahead.

The definition of downstream value chain should exclude the end use of products, as consumer use and disposal of products can be practically impossible to control, and their inclusion could detract from the identification and mitigation of salient risks in value chains.

We suggest that sector agnostic requirements should be limited to business relationships with whom the company has a contractual relationship in order to take account of the company's real sphere of influence, and to ensure that the CSRD can provide relevant and material information in a timely and cost-effective manner.

Finally, the requirement of reporting in 2025 over the fiscal year 2024 will mean that companies will have to set up routines for measurement and data collection in 2023. This will be quite difficult to meet, considering that the great number of companies that will be subject to it for the first time, the significant amount and information, and that both the CSRD and the ESRSs are not yet adopted. There should therefore be a suitable adaptation period to allow for a gradual implementation of the reporting requirements in the internal processes of all undertakings that are affected for the first time.

With regards,

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