Finance Denmark response to CSRD Consultation

FINANCE DENMARK

Memo

June 22, 2021
Doc: FIDA-1344658213-687749-v1
Contact Martin Thygesen

Finance Denmark (FIDA) appreciates the opportunity to comment on the European Commission's proposal for the Corporate Sustainability Reporting Directive (CSRD).

We are overall supportive of the ambitious proposal. It is now important to stay ambitious in the forthcoming political and standard development process.

In particular this applies to the following areas:

- consistency to requirements to the financial sector, cf. below
- expansion of scope to all large undertakings and all listed undertakings
- mandatory standards for large undertakings
- proportionate simplified standards for SMEs - mandatory for listed SMEs and optional for non-listed SMEs
- standardization
- digitization
- assurance
- time schedule.

Consistency

In our view the most crucial aspect of CSRD and the coming EFRAG-standards is to secure consistency with other EU requirements for the financial sector - both for investment and financing activities and not only in terms of content, but also in terms of timing and scope.

The financial sector cannot make sustainable investment and finance decisions and subsequently report on the indirect effect of its activities without the necessary sustainability data from the non-financial undertakings. Thus, when it is not mandatory for a non-financial undertaking to give sustainability data, the financial sector shall not either be obliged to report on the investing in – and financing to this non-financial undertaking.

Against this backdrop, we are concerned about the significant gaps illustrated in the **attached** time schedule in Annex 1 based on the current draft regulations to the financial sector and the proposed CSRD. We call for a full alignment on content, scope, application data, reporting frequency, transition periods etc. allowing credit institutions and other financial institutions the necessary time to access, assess and make use of the sustainability data from the non-financial undertakings.

Further phased approach

In addition, if the political and/or standard development process seems to be delayed, we encourage the Commission to consider a further phased standard development process covering the urgent information needs of the financial sector first – i.e., information needs directly linked to the requirements in the disclosure-, taxonomy and capital requirement regulations etc.

Materiality and proportionality principles across sectors

We agree materiality and proportionality principles shall apply to small and medium-sized undertakings. These principles shall, however, apply across sectors, including to small and medium-sized credit institutions. Thus, article 40 of the current Accounting Directive, stating that all public interest entities (including all credit institutions) shall be considered large undertakings, shall not apply. Furthermore, two of three thresholds (balance sheet total and turnover) in the Accounting Directive for determining whether an undertaking is large, are not relevant for credit institutions due to their deposit and lending activities.

On this basis, we propose using the threshold based on average number of employees of 250 in the Accounting Directive only – i.e., the thresholds based on balance sheet total and turnover shall not be applicable for credit institutions. The threshold based on number of employees corresponds to the threshold for non-financial companies and will in practice bring symmetry between the financial and non-financial sector.

Retain presentation flexibility

We agree as well that sustainability information does not belong to a category of less relevant information and management shall focus on sustainability matters but find it important to retain the undertakings' flexibility to tailor the reporting to their user groups to avoid information overload. In some cases, it makes perfect sense to give the complete sustainability reporting in the management report in the annual report. In other cases, it may be more relevant for the user groups to have a separate sustainability report and "only" an extract of the most significant findings in the management report in the annual report.

In addition, a requirement to give the complete sustainability reporting in the management report will make it difficult/impossible to apply different assurance levels for different types of sustainability information e.g. reasonable level of assurance for scope 1 and 2 GHC emissions and the prescribed limited assurance for the rest of the sustainability reporting.

Against this background, we propose retaining the current Member State option.

Please do not hesitate to contact us in case you have questions to our comments.

Yours sincerely,

Martin Thygesen
Head of Department

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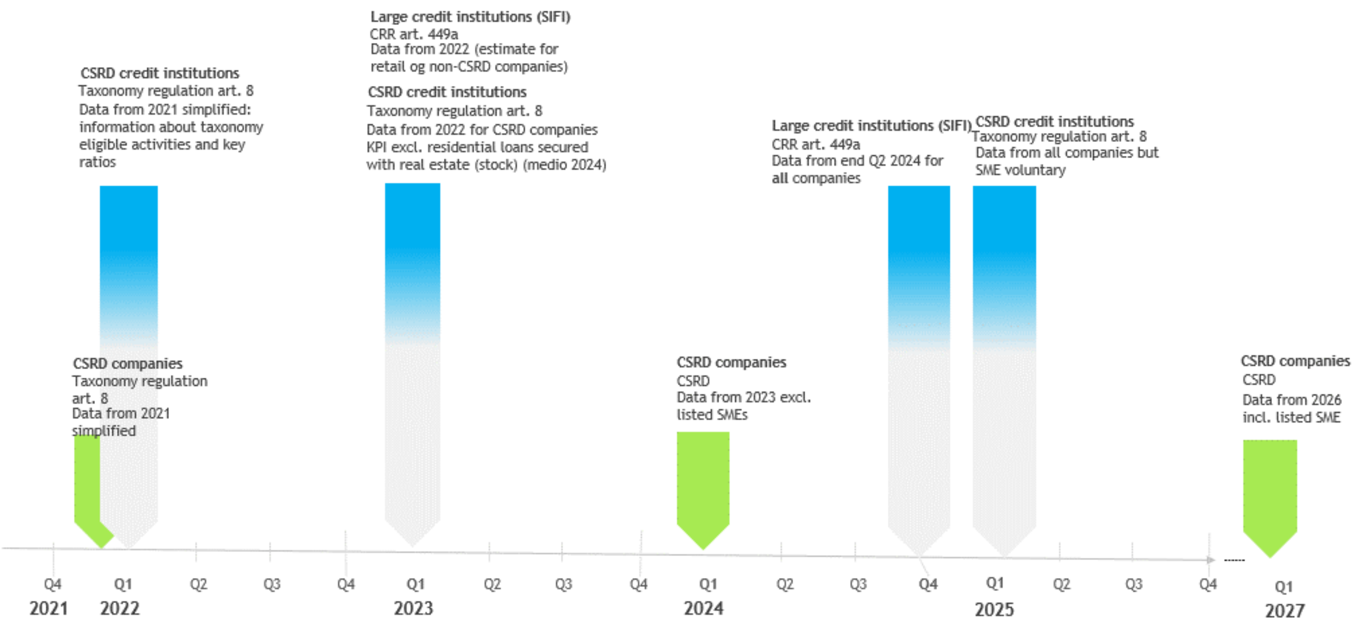
Appendix 1 – Time schedule

Date for disclosure: ESG requirements to credit institutions and companies in CRR, CSRD and the taxonomy regulation



Source: Consultation Paper Draft Implementing Standards on prudential disclosures on ESG risks in accordance with Article 449a CRR; Proposal for a Directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) NO 537/2014, as regards corporate sustainability reporting; Factsheet - ESG disclosures, EBA marts 2021; høringsudkast til Commission delegated regulation supplementing Regulation (EU) 2020/852 specifying the content and presentation of information to be disclosed by undertakging subject to Articles 19a or 29a of Directive 2013/34/EU