

## NOTAT

### Accelerating European competitiveness by building the data and reporting landscape of the future

With rising geopolitical tension and increasing global strategic competition, there is no task more important for the EU than increasing our competitiveness. To increase our competitiveness at this pivotal moment, the EU must look towards the future and utilizing the tools of digitalization for burden reduction and create the data sharing landscape of the future for our companies.

For years, the EU Single Market has championed the development of our Union for the great of prosperity and growth. Despite this success, the EU has for far too long not managed to create a common digital single market for sharing company data and reporting requirements that seamlessly flow across borders. Instead, EU-legislation has created 27 different reporting and data sharing landscapes, placing huge unnecessary costs and inefficiencies on companies.

Concretely, this means that a German company must report data in one way and format when dealing with a Danish company, and in another way and format when dealing with a French company. The challenges of sustainability reporting exemplify this challenge of sharing data across our union.

#### The future is digital: pixels before papers

There is no doubt that the future is digital. We must dare to create a future where the burdens of unnecessary paperwork no longer hinder innovation and growth. Where digital solutions automatically manage data sharing and reporting. Where businesses use their resources on their competitiveness instead of compliance.

This future is achievable. And it should be built in Europe, paving the way for further success for our Single Market in a new digital age. We must actively promote a simple exchange of business data for companies with the aim of creating a single common data sharing and reporting framework in the EU. Reaping the benefits of digitization is key. Let's build the reporting and data sharing landscape of the future.

#### Next steps – how to realise seamless data sharing for companies

Some of the largest administrative burdens stemming from reporting requirements comes from the gathering, handling, and sharing of data due to manual, analogue and fragmented data formats, IT systems and lack of access to relevant data sources across public and private entities.

To automate and digitalise the businesses reporting landscape in Europe we see a need to focus on digital infrastructures for business reporting requirements in general and sustainability reporting requirements in particular. Thus, we need:

A **'Digital First' approach** in which EU legislation and reporting requirements is ready for digitalisation from the start. This means that new and existing legislation should be reviewed in terms of how it can be implemented and

28. oktober 2024  
/JVJF

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administered digitally, such as what are the data that companies need to report and how can they do it digitally.

*And in particular for sustainability reporting and product disclosure* we need **digital product passports by default** as the default tool across EU regulation in order to facilitate efficient sharing of sustainability data following procurement and sales of products.

**To develop lacking ESG methodologies** for data points in the European sustainability reporting standards (ESRS) that are still lacking (e.g., biodiversity) to ensure, that they are “**fit for digitalization**” and thereby strengthening the data quality and comparability of ESG data needed for sustainability reporting.

**To establish an EU CO<sub>2</sub>-e emission factor data bank** giving companies free and easy access to trustworthy and comparable emission factors reducing burdens from calculating CO<sub>2</sub>-e emissions for their sustainability reporting.

**Harmonised standards and structured digital data formats** in order to streamline compliance and reporting across borders, meaning that when introducing regulation and requirements the EU should define the common standards for reporting.

*And in particular for sustainability reporting* there is a lack of quality data formats for sustainability data leading to low quality data being shared across fragmented systems. There is a need to **identify, structure and standardise sustainability data in digital formats** that are interoperable and integrated in **ESG systems** and are **well governed** – such as a digital voluntary SME standard for ESG data sharing.

**Minimum requirements** for digital business systems that promotes automation of business data within the company across a multitude of different IT-systems by setting minimum requirements for interoperability, portability and integration of data standards etc. Inspiration could be drawn from the existing Ecodesign regulation requirements for the digital product passport and the Danish Book-keeping Act.

*And in particular for sustainability reporting,* we need **minimum requirements for ESG systems** in order to make them transparent about methods and data sources while avoiding vendor lock-in by using open data standards and have interoperable and portable solutions.

**A common European infrastructure for business data** by use of existing European building blocks and standards for data formats, transport protocols, and APIs (e.g., the CEF eDelivery). It creates a common infrastructure that enables companies to share data uniformly and without vendor lock-in, ensuring openness and safety for all participants.

*And in particular for sustainability reporting,* **facilitate the sharing of ESG data in an open interoperable cross-border data infrastructure** by utilising the same building blocks, standards, principles and protocols for ESG data.