

DK, EE, FI, and LV non-paper on easing the reporting obligation for companies in unprecedented times

Reducing administrative burdens is a prerequisite for maintaining the competitiveness of European businesses and facilitating the EU's green transition amid geopolitical tension and increasing global strategic competition. The European Commission's intention to rationalise and streamline reporting obligations by 25%, without undermining policy objectives, is therefore both timely and necessary. The initiatives tabled with the recently adopted work programme, aiming at bringing about more than EUR 3 billion in cost savings, are all steps in the right direction. However, as indicated by the spirit of the Commission's call for evidence, these measures will have to be supplemented with additional measures to further reduce businesses' reporting burdens as well as administrative burdens beyond reporting. On 26 October, the European Council also adopted conclusions emphasising the need *"to take forward work to simplify regulation and reduce the unnecessary administrative burden, including reporting requirements, notably for SMEs and start-ups"*. Furthermore, the European Council called for additional proposals, *"seizing the opportunities of the data economy and standardised business data"*.

Ideas have already been put forward, including by France and Germany in their paper on "Better Regulation and Modern Administration in Europe". We acknowledge proposals which include practical solutions that can help reduce burdens on businesses, such as a call for effective digital readiness in legislation at Union level or advancing digitalisation in the legislative process. It is important to consider different ideas, as focusing solely on the adoption and repeal of reporting requirements to reach the target is likely to miss the vast potential to reduce burdens through optimising how legislation works on the ground.

Seamless and secure exchange of business data

Digital bookkeeping, eInvoicing and automated business reporting highlight the vast benefits of automated and standardised business reporting when complying with national and EU law. Companies engaged in cross-border trade face the onerous task of sharing data with various business partners and authorities across different Member States. Today, this data exchange is highly fragmented due to a lack of standardisation, creating barriers to digitisation and automation.

To realise cost savings amounting to billions of euros, we should actively promote a seamless and secure exchange of business data among companies within EU Member States by underpinning EU legislation with common minimum standards and a robust, decentralised data infrastructure. The common digital standards and components that the EU has already developed should be the foundation for this effort. The Connecting Europe Facility (CEF) serves as a cornerstone in this endeavour, offering essential digital building blocks such as eDelivery, eID, and eInvoicing that serve as critical infrastructure to facilitate more effortless cross-border interactions for businesses within sectors ranging from economy and finance to energy and public security etc.

Specific initiatives towards this purpose may encompass:

- To fully unlock the potential of these foundational elements, it becomes imperative to achieve broader adoption of these building blocks throughout EU legislation.

The particular case of sustainability reporting

While we fully support the new and ambitious EU rules on sustainability, the combined cost imposed on companies is expected to be both significant and enduring when companies will be required to report on their footprint across various dimensions, including company-wide activities and specific products. To ensure coherence and consistency in the reporting it is of key importance that data can be structured

in companies' data management systems in a way that ensures that data can be reused and facilitate automatisisation of processes for data handling.

Over the course of 20 years, we have successfully managed to significantly reduce the cost of businesses' annual financial reporting by improving the tools and standards in which the reporting takes place. By implementing minimum standards and requirements for bookkeeping systems, it has become possible to create interoperability of reporting data between businesses and between businesses and government, thus reducing burdens for businesses' annual financial reporting. We must quickly learn from these experiences and seek to improve the infrastructure around sustainability reporting to reduce the enduring cost for businesses that could otherwise hamper their global competitiveness. If we succeed, we will not only be able to reduce companies' administrative burdens without undermining the underlying policy objectives but also enhance the trustworthiness of the sustainability data on which the reporting will be based.

A coherent set of policy measures to ease businesses' sustainability reporting may encompass:

- Common minimum standards and a robust, decentralised sustainability data infrastructure underpinning EU legislation.
- Common criteria and minimum requirements for various ESG-solutions, such as functional requirements for business systems, emission calculation standards following internationally recognised methodologies as well as transparency requirements for data providers to incentivise openness in the collection, storing and use of sustainability and supply chain data.
- Establishing an accessible, integrable and interoperable EU database with officially recognised sustainability related data, e.g. CO2 emissions factors.
- Making sure that the Digital Product Passports, as proposed in the Ecodesign for Sustainable Products Regulation, serve as the default option for future product legislation that sets out product data sharing requirements.

Conclusion

The abovementioned proposals present a sophisticated and ambitious approach to achieving the 25 percent reporting reduction target without compromising the pivotal role of businesses in advancing the green transition. By upholding the core policy objectives, such proposals strategically concentrate on relieving businesses from the complexities of an underdeveloped infrastructure that complicates the collection, sharing, and use of sustainability data, thereby promoting a more efficient corporate landscape for (sustainability) reporting.