

INCEPTION IMPACT ASSESSMENT

Inception Impact Assessments aim to inform citizens and stakeholders about the Commission's plans in order to allow them to provide feedback on the intended initiative and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have, including on possible impacts of the different options.

TITLE OF THE INITIATIVE	Proposal for a Directive/Regulation of the European Parliament and of the Council for a European single access point for financial and non-financial information publicly disclosed by companies (Text with EEA relevance)
LEAD DG (RESPONSIBLE UNIT)	FISMA - Units C1 and B1
LIKELY TYPE OF INITIATIVE	Legislative proposal
INDICATIVE PLANNING	Q3 2021
ADDITIONAL INFORMATION	New CMU Action Plan , September 2020

The Inception Impact Assessment is provided for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Inception impact assessment, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

In its digital strategies,¹ the Commission committed to foster policies that are fit for the digital age. Industrial and commercial data are key drivers of the digital economy. In its European Data Strategy of February 2020, the Commission declared its intention to make more data available for use in the economy and society, including with the roll out of European data spaces. It aims to make more high-quality public sector data available for re-use, including company data, and suggests the adoption of an implementing act on high-value data sets under the Open Data Directive,² making these data sets available more easily and for free.

The Commission is equally committed to achieving a green transition of the EU economy, as set out in the European Green Deal communication of December 2019.³ In the European Green Deal Investment Plan of January 2020, the Commission reiterated the need to place sustainable finance at the heart of the financial system. This is a precondition to create an enabling framework for private investments in sustainable projects and activities. The Commission will put forward a renewed sustainable finance strategy in 2021.

In order to make sound investment decisions, investors in capital markets must have access to information about companies and financial products. Investor confidence and willingness to invest in capital markets, in particular by retail investors, will depend on the easy availability, quality and comparability of this information. The Commission's Capital Markets Union (CMU) Action Plan of September 2020 proposes to improve such access by building a European Single Access Point (ESAP / Action #1). The European Single Access Point (ESAP) will be complementary to Business Registers Interconnection System (BRIS), and it will not alter the latter's functions.⁴

¹ A Europe fit for the digital age, Communication: Shaping, 19 February 2020 – Digital Finance Package, Communication: [Digital Finance Strategy](#), 24 September 2020

² Directive (EU) 2019/1024 on [open data and the re-use of public sector information](#) of 16 July 2019

³ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions 'The European Green Deal', COM/2019/640 final.

⁴ The EU acquis on Company Law (Directive 2017/1132) harmonises the disclosure requirements and prescribes the Business Registers as specific dissemination channel for information on all limited liability companies. Member States have to ensure disclosure in the Business Registers by limited liability companies of at least the documents and particulars listed in Article 14. At Union level, the European Commission interconnects national business registers through BRIS, which is part of the EU acquis on company law.

EU legislation in the financial services area⁵ requires companies to disclose a wide range of information to the public to increase the transparency and reduce asymmetry of information between company insiders and external investors. This data may have regard, among other aspects, to an entity's financial performance, environmental, social or governance matters, products and services provided.

The collection and dissemination of data is however fragmented. Data published can be available both from public sector bodies and from private entities. The relevant EU legislation rarely prescribes specific dissemination channel other than an entity's own web site. A few datasets such as an issuer's annual financial report must be published via national registers.⁶ At the EU level, the European Securities and Markets Authority (ESMA) maintains a number of public registers.⁷ In addition, EU legislation in the financial services area rarely prescribes the use of a specific digital format for the public disclosure of information, which is detrimental to interoperability. Except for financial statements of listed companies,⁸ data is usually not machine readable.

Problem the initiative aims to tackle

The lack of an integrated financial and non-financial company data management at the EU level is detrimental in many ways. First, it increases search costs for users. Along with investors, easy access to reliable and comparable public information is essential for financial intermediaries, such as rating agencies, financial analysts, research providers, and asset managers, which need such data to make informed decisions. The situation undermines the investors' ability to scale their investment strategies on an EU-wide basis. Other users, such as civil society, also report difficulties to easily access ESG and other types of information to be published by companies.

Second, the current fragmentation of information is also detrimental to companies, and in particular SMEs. Whereas it is easier for blue chip companies to increase their visibility (road shows or events, indices, etc.), other companies which have chosen to take advantage of capital markets to meet diversified and increased funding needs may still experience difficulties to reach out to investors due to their situation (smaller markets) or size. Companies seeking to tap EU capital markets, especially SMEs, may also want to increase their visibility towards investors, including across national borders, to support their growth. The ESAP may offer the ability to integrate their data on a voluntary basis.

Third, transitioning to a carbon-neutral and sustainable economy requires substantial investments. The EU will need to invest, every year, €350 billion more over the period 2021-2030 than it did in the period 2011-2020. This is essential to meet the ambition of reducing greenhouse gas emissions in the EU by 55% in 2030 compared to 1990 levels.⁹ Public funds will not be sufficient to meet these financing needs. Sustainability-related information is key to redirect investments into projects that will support the green transition, as underlined by stakeholders in the consultation on the renewed sustainable finance strategy.¹⁰

⁵ In relation to inter alia capital markets, credit rating, investment, lending, insurance, asset management, funds (including UCITs), sustainable finance.

⁶ For instance, the transparency directive (2004/109/EC) requires each EU country to establish a storage mechanism ([officially appointed mechanism, OAM](#)) to ensure the storage and public access to information otherwise disclosed by listed companies in various media.

⁷ ESMA's [portal](#) provides currently information for registers falling under Directives 2010/78/EU (OMNIBUS) and 2011/61/EU (AIFMD), EU Regulation 345/2013 (EuVECA), EU Regulation 346/2013 (EuSEF), EU Regulation 236/2012 (Short Selling), the MiFID implementing Regulation 1287/2006, the Directive 2014/65/EU (MiFID II) and Regulation (EU) No 600/2014 (MiFIR), and the Credit Rating Agency Regulation 1060/2009.

⁸ These will be soon machine readable pursuant Regulation 2019/815 on a European Single Electronic Format (ESEF) which prescribes the XHTML format and, for consolidated financial statements in compliance with International Financial Reporting Standards, electronic structuring on the basis of a taxonomy and inline XBRL.

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions 'Stepping up Europe's 2030 climate ambition', COM(2020)562 final.

¹⁰ This feedback is consistent with other reports, including the report of the International Organization of Securities Commissions (IOSCO), [Sustainable Finance and the Role of Securities Regulators and IOSCO](#), April 2020.

The Commission is currently revising the Non-Financial Reporting Directive to improve and expand information published by companies. Enhancing the accessibility and usability of sustainability-related information, including on sustainability risks, is also important for enabling investment decisions.

Should the EU take no action (baseline scenario), a good portion of issuers' annual financial reports, that is around 3,500 companies issuing securities listed on an EU regulated market, would become readily machine readable from year 2021.¹¹ However, this concerns the machine readability of only a fraction of the information disclosed by market participants.

In the baseline scenario, access to information in the capital markets would remain subject to fragmented access, inconsistent disclosure formats and mechanism, heterogeneous implementation of reporting obligations at national level, as well as language barriers. Data usage and comparability across most EU listed and non-listed companies would therefore remain sub-optimal. This would continue to stifle market integration and innovation in the EU, constitute a barrier to pan-EU added value services, Fintech development and access to finance by the real sector of the economy. Barriers to optimal allocation of capital reduce the Union's growth potential and undermine the achievement of the CMU's objectives.

Basis for EU intervention (legal basis and subsidiarity check)

The Treaty on the Functioning of the European Union (TFEU) confers upon the European institutions the competence to lay down appropriate provisions that have as their object the establishment and functioning of the internal market (Article 114 TFEU). Depending on the results of the impact assessment - which will determine the aim and content of the legal acts – the appropriate legal basis could also include Articles 50(g) on the coordination of Member States requirement for EU companies with a view to making such safeguards equivalent throughout the Union, and/or Article 53(1) TFEU on the taking-up and pursuing of activities by self-employed persons, which is used to regulate financial intermediaries, their investment services and activities.

The objective of this initiative (i.e. to establish a European single access point for financial and non-financial information publicly disclosed by companies in each Member States) cannot be sufficiently achieved by the Member States individually. Currently, most of the rules pertaining to the mechanisms and formats of disclosure of corporate reporting information are set out by Member States' legislation. The resulting geographical, functional and thematic fragmentation of disclosure mechanisms and formats increases costs for users of corporate information. Information is also often searchable or available in local languages only. Further individual actions by Member States would not reduce this fragmentation. Establishing a European single access point, considering the scale and the effects of such a project, is an objective that can be better achieved at Union level. Therefore, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, this initiative will not go beyond what is necessary in order to achieve the ESAP. In particular, in order to minimise the burden on companies and national authorities, it would be appropriate for the ESAP to build as much as possible on the existing data reporting channels and infrastructure.

B. Objectives and Policy options

The overall objective of the European Single Access Point is to facilitate the flow and use of information in order to contribute to further integrating European capital markets, to enable a more efficient allocation of capital across the EU, and indirectly to strengthen the resilience of the EU's economy through broader private risk sharing across the EU. By providing investors with a user-friendly, EU-wide mechanism to access information disclosed by companies, the ESAP would foster access to capital markets, including by SMEs, and promote cross-border investments. The ESAP should reduce search and processing costs for users of company information, while avoiding disproportionate administrative costs for companies that are subject to disclosure obligations.

The ESAP would bring about a key missing piece of the CMU and enable the following objectives to be

¹¹ ESEF Regulation (EU) 2019/815. In addition, according to the company law Directive 2017/1132, by 2023 all the documents and information filed by limited liability companies in the business registers will need to be machine readable/structured data based on national standards.

achieved:

- Improve access to company data, including SME data, thus tackling an important barrier to SME investment. This should be seen in conjunction with actions to open data at national level¹² which will facilitate access to data disclosed by public bodies at national level;
- contribute to the harmonisation and standardisation of formats of information that companies disclose to the public, making such information easier to find, compare and analyse;
- Enable big data and services based on artificial intelligence and machine learning through the increased availability and use of machine-readable data.

In order to achieve these objectives, the services of the Commission will examine more specifically (i) the governance models for data collection and dissemination, including management and funding of the platform; (ii) the scope of the information made available through the ESAP; (iii) the specifications to be met to make information machine readable, and (iv) ways to remove barriers to, or improve access, use and re-use of this information.

C. Preliminary Assessment of Expected Impacts

Likely economic impacts

The ESAP would facilitate access to information and thus reduce search costs for users. It would also facilitate data collection and thus contribute to foster innovation and competition in the data providers sector. The ESAP would thereby have significant economic impact for the EU economy as a whole, by unlocking investment and funding opportunities, improving allocation of funds, attracting a broader range of investors both from and outside the EU, and broadening funding options and opportunities for European companies, in line with the objectives of the CMU Action Plan.

In addition, the increased transparency and comparability provided by the ESAP would foster further cross-border investment, thus fostering private risk sharing and hence contributing to financial integration in the Union.

The ESAP would also contribute to the Digital Finance agenda of the Commission by promoting innovation and creating opportunities to develop better financial products for consumers. It would contribute to unlock new ways of channelling funding to EU businesses, in particular SMEs. The ESAP will focus on EU data: impacts vis-a-vis third country companies or groups operating in the EU are expected to be limited, unless a company is listed in the EU. Nevertheless, further access to data by third country parties and investors could enhance investment opportunities.

Finally, the ESAP would contribute to the European Green Deal, the EU's new growth strategy, by enabling investors to more easily identify sustainable investment opportunities, allow capital market participants and other actors to better assess sustainability-related risks associated with investment decisions, and to meet their own obligations to disclose sustainability-related information.

Likely social impacts

The ESAP is unlikely to have direct social impacts. An indirect impact might however relate to better funding opportunities for EU companies that should in this way be more easily able to scale up and grow in the EU, thus creating new job opportunities for EU citizens. The ESAP would also permit easier access and handling of companies' social information by the public at large.

Likely environmental impacts

The ESAP has the potential to support the EU climate and environmental objectives and the sustainable finance agenda by enabling a better access to non-financial and environmental, social and governance (ESG) information. Including sustainability-related information in the scope of the ESAP can increase the

¹² Directive (EU) 2019/1024 on [open data and the re-use of public sector information](#) of 16 July 2019

visibility and comparability of companies' activities (including SMEs when relevant) with regard to ESG criteria and to better capture sustainability-related risks and impacts, ¹³ therefore contributing to more and better allocation of private investment to sustainable activities and projects.
Likely impacts on fundamental rights
On fundamental rights, such as personal data protection and privacy, impacts should be limited as the ESAP will address information that must already be disclosed to the public pursuant to EU law or that companies already disclose voluntarily. Any personal data processing associated with the implementation of the ESAP will be done in full compliance with the Union legislation on data protection, including the General Data Protection Regulation 2016/679 (GDPR).
Likely impacts on simplification and/or administrative burden
This initiative does not aim to impose new disclosure obligations on European companies but to render information that companies currently disclose to the public more accessible and comparable. Reporting obligations imposed on companies should strike the right balance between providing relevant information on the one hand, and any extra burden for preparing and reporting this information, on the other.
In order to fulfil these objectives, the initiative may require information provided through the ESAP to be standardised and machine-readable (use of structured data standards). Policy options will seek to identify the most appropriate and proportionate approach to each of these elements while not creating undue administrative burdens. In addition, the ESAP will seek to limit administrative burdens for companies by avoiding multiple reporting channels and by promoting a file-only-once principle in a format accepted by all EU authorities/bodies/storage mechanisms. The Commission will take into account existing systems.
D. Evidence Base, Data collection and Better Regulation Instruments
Impact assessment
An impact assessment is being prepared to support the preparation of this initiative and to inform the Commission's decision.
Evidence base and data collection
In line with the general principles in the Better Regulation guidelines on the need for evidence-based impact assessments, the Commission will gather evidence through several sources and will rely on the following: <ul style="list-style-type: none"> - Study on the "Regulatory framework analysis for potential integration into the European Electronic Access Point (EEAP)"; - Study on the "Governance for a DLT / Blockchain enabled European Electronic Access Point (EEAP)"; - An external contractor will assist in collecting evidence, providing analysis and cost estimates; - Other studies with relevance to the ESAP, such as studies in relation to Company Law, to the Implementing act on high-value data sets for the Open Data Directive, etc.; - Recommendations of the High Level Forum on the Capital Markets Union, including their report: "A New Vision for Europe's Capital Markets: Final Report of the High Level Forum on the Capital Markets Union", of 10 June 2020. <p>Progress made on the integration of supervisory reporting in the banking, insurance and capital markets will be considered.</p> <p>In addition, the Commission services will gather and analyse evidence available from documents, reports, communications in relation to the collection and dissemination of datasets published by companies.</p>

¹³ See for instance Network of central banks and supervisors for Greening the Financial System (NGFS), [A call for action. Climate change as a source of financial risk](#), April 2019.

Consultation of citizens and stakeholders

Feedback received from past open public consultations showed overall strong support for a European Single Access Point and further machine readability of both financial and sustainability information. These include the following:

- [Open public consultation on the Fitness check on the EU framework for public reporting by companies](#) (21 March 2018 - 31 July 2018);
- [Open public consultation on the European Strategy for Data](#) (20 February 2020 - 3 June 2020);
- [Open public consultation on Non-financial reporting by large companies](#) (20 February 2020 - 11 June 2020);
- [Open public consultation on a new digital finance strategy for Europe / FinTech action plan](#) (3 April 2020 - 26 June 2020);
- [Stakeholder consultation on the Renewed sustainable finance strategy](#) (8 April 2020 - 15 July 2020);
- [Open public consultation on the CMU High Level Forum final report](#) (10 June 2020 - 30 June 2020).

To complement the above, the Commission will organise a targeted online consultation of interested stakeholders. This consultation will seek input in relation to (inter alia) the scope of data to be included in the ESAP, collection and usability of data, governance models etc...

The services of the Commission will also convene meetings and organise dedicated workshops in Q1/2021 with preparers, investors and users, registers, authorities and other stakeholders with a view to gathering views and evidence as necessary. It will engage with the Technical Expert Stakeholder Group on SMEs (TESG).¹⁴ The services of the Commission will also consult Member States and national competent authorities through existing committees or bilaterally.

Will an Implementation plan be established?

The need for an implementation plan will be assessed in light of the outcome of the impact assessment and the decision about which policy option to retain.

¹⁴ The [TESG](#) was set up to provide the Commission with expert opinions and analysis regarding the functioning and success of SME growth markets