



ASCG • Joachimsthaler Str. 34 • D-10719 Berlin

EFRAG
Mr Patrick de Cambourg (SRB Chair)

35 Square de Meeûs
1000 Brussels (fifth floor)
Belgium

**Sustainability Reporting Technical
Committee**

Phone: +49 (0)30 206412-12

E-Mail: info@drsc.de

Berlin, 8 April 2024

Draft XBRL Taxonomies for ESRS Set 1

Dear Patrick,

on behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the draft XBRL taxonomy for ESRS Set 1, issued by EFRAG on 8 February 2024 (herein referred to as 'Draft taxonomies'). We appreciate the opportunity to comment on the draft taxonomies.

The views expressed in this comment letter are the result of discussions within the ASCG's Sustainability Reporting Technical Committee, a working group established together with XBRL Germany and two public discussions.

The ASCG welcomes the draft taxonomies as, together with other initiatives (such as the ESAP Regulation, Regulation (EU) 2023/2859), they represent an important step towards the digitalisation of sustainability information.

We understand the process for implementing Article 29d of the Accounting Directive (Directive 2013/34/EU) to mean that EFRAG was mandated to develop the draft taxonomies as a technical transposition of the reporting requirements of the ESRS Set 1 (European Sustainability Reporting Standards, Delegated Regulation (EU) 2023/2772) and the Taxonomy Regulation (Delegated Regulation (EU) 2021/2178). Once finalised, the taxonomies will be the basis for ESMA (European Securities and Market Authority) to develop a draft RTS (Regulatory Technical Standards) to amend the ESEF Regulation (Delegated Regulation (EU) 2019/815). This draft RTS will also include tagging and validation rules and will also be subject to a public consultation. Although EFRAG and ESMA therefore have different mandates, the two mandates are interconnected, as the architecture of the taxonomies cannot be considered without the tagging rules. **Our comments will therefore also address the possible content of the subsequent ESMA consultation and overarching issues of the draft taxonomy for Article 8 disclosures.**

Please find our detailed comments in the appendix to this letter, approved by the ASCG's Sustainability Reporting Technical Committee, which mirrors the comments we submitted via the web-based surveys provided by EFRAG for this consultation. In addition, we would like to highlight certain key and overarching issues in advance:

Contact:

Joachimsthaler Str. 34
D-10719 Berlin
Phone: +49 (0)30 206412-0
Fax: +49 (0)30 206412-15
E-Mail: info@drsc.de

Bank Details:

Deutsche Bank Berlin
IBAN-Nr.
DE26 1007 0000 0070 0781 00
BIC (Swift-Code)
DEUTDE33HAN

Register of Associations:

District Court Berlin-Charlottenburg, VR 18526 Nz
President:
Georg Lanfermann
Vice President:
Prof Dr Sven Morich



- Tagging one data point with several taxonomy elements should be avoided as far as possible, as such multi-tagging is time-consuming for preparers.
- If the architecture of the draft ESRS taxonomy is maintained, software providers would have to implement two different design patterns, as the architecture of the draft ESRS taxonomy differs from the architecture of the ESEF core taxonomy. A harmonisation of the design patterns for taxonomies for financial and sustainability reporting is generally desirable both EU-wide and internationally. Different design patterns increase the cost of providing IT tools and should therefore be justified in terms of their added value for users.
- ESMA should only require the use of certain mandatory elements in the future RTS amending the ESEF Regulation instead of making the full scope of the taxonomy elements mandatory.
- The European Commission and ESMA are called upon to take more account of the needs of users, especially when formulating (granular) tagging rules. The costs of granular tagging of sustainability information on the part of the preparers are only justified if users of sustainability information request and use the tagged information. The [Explanatory Note](#) already includes the views of a selection of users. However, a detailed cost/benefit analysis is still pending.
- Regarding the disclosure of tagged information, preparers should not have to fulfil more reporting requirements than required by the ESRS or Article 8 provisions.
- Users of a human-readable format of sustainability reports should not be better (or worse) off in terms of information content than users of the machine-readable inline XBRL (iXBRL) format.
- Reasonable transition periods should be granted, as the tagging of sustainability information is a learning and adaptation process. Undertakings that are required to publish a sustainability report for the first time should not be obliged to apply all tagging rules in their first reporting year. Instead, such undertakings should only be required to tag some of their information in their first reporting years. Such an approach has already proved successful in the previous application of the ESEF Regulation.
- We call for a longer consultation period (at least 90 days) to be granted in future, as this would allow for comprehensive field tests to be carried out. Substantiated feedback on draft taxonomies can only be obtained through such field tests. In addition, consultations should not be carried out between January and March, as preparers, IT providers and auditors are busy with the preparation, auditing and publication of annual reports during this period and have little capacity to participate in consultations.

If you would like to discuss our comments further, please do not hesitate to contact Marco Liepe (liepe@drsc.de) or me.

Kind regards

Georg Lanfermann

President

APPENDIX

Q1: Do you agree that the digital Draft ESRS Set 1 XBRL Taxonomy adequately represents the ESRS disclosure requirements?

Yes.

It seems that there is a typed axis element for policies for all topic-related ESRS except for ESRS G1. A corresponding element should therefore be added.

ESRS 2 requires that: "For each metric, the undertaking shall: label and define the metric using meaningful, clear and precise names and descriptions" (ESRS 2 para. 77 c). It is unclear how such descriptions for entity-specific metrics can be tagged using the draft taxonomy. The draft taxonomy does not appear to contain a corresponding taxonomy element. There are taxonomy elements for entity-specific disclosures and a taxonomy element for such entity-specific descriptions of metrics, but there is no reference to the corresponding paragraph (ESRS 2 para. 77 c).

The draft ESRS taxonomy does not include a calculation linkbase. Following EFRAG's comments at a [workshop](#) on 29 February 2024, there was no time to develop a calculation linkbase. However, its added value is seen, and efforts should be made to develop it.

Q2: Do you agree that the Draft ESRS XBRL Taxonomy as currently designed meets the needs of users (analysts, data providers, financial institutions, investors, regulators, etc.)? If not, what could be improved?

Yes.

Users of a human-readable format of sustainability reports should not be better (or worse) off in terms of information content than users of the machine-readable iXBRL format. For example, the Explanatory Note on the ESRS taxonomy (para. 101 ff.) explains the linking of topics with IROs, policies, actions (incl. resources) and targets (incl. metrics) using explicit dimensions and typed dimensions elements. Such a linking of information has added value for users of the iXBRL format but is not required by the ESRS in this form and is not apparent to users of a format that is only human-readable. Therefore, the information content should be the same for both user groups, which can be achieved in the example by making the linking of the information also visible to users of the iXBRL format without the need to use an iXBRL viewer, as not all users have access to such a tool.

Q3: Do you agree with the hierarchy provided in the presentation linkbase of the Draft ESRS XBRL taxonomy, including the Level 1, 2 and 3 of narrative textblock tags (as explained in Section 6.5. of the Explanatory Note and Basis for Conclusions)? And if not, what could be improved?

Yes.

The hierarchy provided in the presentation linkbase of the draft taxonomy follows the structure of the ESRS. However, the connection between the hierarchy of taxonomy elements and the rules for tagging have to be highlighted. Tagging narrative information using the Level 3 elements presents preparers with major challenges. ESMA should only require the use of certain mandatory elements instead of making the full scope of the taxonomy elements mandatory. The requirement to use certain mandatory elements would be in line with the current provisions of the ESEF Regulation, which contains such mandatory (textblock) elements in Table 2 of



Annex II. Such mandatory elements in the future RTS amending the ESEF Regulation should not include any or only a few level 3 elements for narrative information, as the tagging of such granular narrative information is time-consuming and error-prone (see chapter “Tagging rules” under Question 9 for a more detailed explanation).

Q4: Do you agree with the way EFRAG has reused XBRL elements in the Draft ESRS XBRL Taxonomy to avoid double-tagging, as described in Section 6.6. of the Explanatory Note and Basis for Conclusions, and as implemented for ESRS MDR elements?

-

Q5a: Do you agree that the implementation of semi-narrative elements (yes/no Booleans, drop-down enumerations) enriches the narrative disclosures and is therefore particularly relevant for users?

Yes.

Especially simple Booleans offer added value for users of the tagged sustainability reports as they enable clear true/false statements.

Q5b: Do you agree that the technical and conditional Booleans as described in Section A1.1. of the Explanatory Note and Basis for Conclusions provide a clear benefit for users since they allow for tagging of positive and negative confirmations?

Yes.

Technical and conditional Booleans offer added value for users of the tagged sustainability reports as they enable to connect different pieces of information and positive or negative confirmations. A critical aspect of the use of corresponding taxonomy elements is that these connections and confirmations using Booleans are only visible to users of the iXBRL format of the sustainability reports (if they use an iXBRL viewer), which represents unequal treatment regarding the information content with users of a format that is only human-readable.

We therefore call for Booleans to also be visible to users of the iXBRL format without the need to use an iXBRL viewer, as not all users have access to such a tool.

Q6a (XBRL experts only): Do you agree with the dimensional modelling of the ESRS XBRL taxonomy and, in particular, with the implementation of typed dimensions for IROs, policies, actions, targets and metrics as described in Section A1.6. of the Explanatory Note and Basis for Conclusions?

-

Q6b (XBRL experts only): Do you agree with the introduction of open hypercubes for optional disaggregation as described in Section A1.6. of the Explanatory Note and Basis for Conclusions? If not, how should it be improved?

-

Q7: Do you agree with the approach that minimises the need for XBRL taxonomy extensions, therefore supporting comparability across preparers and relevance by providing mechanisms for tagging the following disclosures, as described in Section 6.9 of the Explanatory Note and Basis for Conclusions?

1. IROs, Policies, Actions and Resources, Targets and Metrics.

2. **Additions to ESRS datapoint.**
3. **Disclosures stemming from other legalisations or generally accepted sustainability standards and frameworks.**
4. **Other entity-specific disclosures, including metrics.**

-

The EFRAG approach that minimises the need for extensions when applying the draft taxonomy with the help of typed dimensions elements is viewed in mixed ways. On the one hand, extensions appear at first glance to make it more difficult to compare tagged sustainability reports. On the other hand, extensions do not necessarily appear to impair comparability, as additional information must be provided for the use of extensions (e.g. precise description of the purpose and meaning of each extension tag). Such additional information could even increase comparability, especially in combination with other methods such as text mining. Further advantages of extensions lie in anchoring and the application of calculation rules.

Therefore, further feedback from users on this aspect should be obtained.

Q8: Do you think that the validation rules implemented in the Draft ESRS XBRL Taxonomy as described in Section 6.8. of the Explanatory Note and Basis for Conclusions are appropriate? If not, please explain why and/or which additional validation rules or consistency checks should be implemented.

-

When formulating validation rules, it should be made sure that validation errors are worded in a way that is easier for preparers of sustainability reports to understand.

Q9: Do you have any other comments or suggestions?

Yes.

Architecture of the Taxonomies

If the architecture of the draft ESRS taxonomy is maintained, software providers would have to implement two different design patterns, as the architecture of the draft ESRS taxonomy differs from the architecture of the ESEF core taxonomy. A harmonisation of the design patterns for taxonomies for financial and sustainability reporting is generally desirable both EU-wide and internationally. Different design patterns increase the cost of providing IT tools and should therefore be justified in terms of their added value for users.

Tagging rules

Tagging one data point with several taxonomy elements should be avoided as far as possible, as such multi-tagging is time-consuming for preparers.

Regarding the disclosure of information, preparers should not have to fulfil more reporting requirements than required by the ESRS or Article 8 provisions. This requirement can be derived from the provisions already in place of the ESEF Regulation (Article 4 (2) ESEF Regulation), as “issuers shall, as a minimum, mark up the disclosures (specified in Annex II ESEF Regulation) where those disclosures are already present in the IFRS consolidated financial statements.”

Tagging narrative information using the Level 3 elements presents preparers with major challenges. ESMA should only require the use of certain mandatory elements in the future RTS

amending the ESEF Regulation instead of making the full scope of the taxonomy elements mandatory. Such mandatory elements should not include any or only a few level 3 elements for narrative information, as the tagging of such granular narrative information is time-consuming and error-prone. Level 3 tagging seems to pose challenges for preparers regarding the correct use of elements. In practice, it is likely that questions will arise as to which level 2 or 3 elements should be mapped to a certain data point for a narrative information. Should ESMA follow this approach, such mandatory elements should be identified in the taxonomies. Such identification could increase user-friendliness, for example by allowing filters relating to mandatory information to be easily embedded in IT tools. Such a filter would make missing mandatory information visible at the beginning of the preparation process and not only at the end during the validation check.

The European Commission and ESMA are called upon to take more account of the needs of users, especially when formulating (granular) tagging rules. The costs of granular tagging of sustainability information on the part of the preparers are only justified if users of sustainability information request and use the tagged information. The Explanatory Note already includes the views of a selection of users. However, a detailed cost/benefit analysis is still pending.

Other EU and national regulations on digitalisation and data queries are related to the draft taxonomies and reporting. Currently, for example, mass data queries are not possible in the German company register and the Article 8 para. 2 of the ESAP Regulation opens the possibility of making mass data queries unattractive by charging additional fees. However, especially the tagging of sustainability information makes sense for mass data queries.

Re-Rendering

The tagging rules and possible accompanying documents should also contain provisions and clarifications on re-rendering, i.e. the process of presenting tagged sustainability reports. This should ensure that tagged sustainability information are not only presented in a machine-readable format but are also presented in the human-readable rendering in the same way as in the original format (e.g. with regard to the arrangement of texts, tables and graphics as well as the presentation of highlighting).

Publication/ Reporting Package

It is currently uncertain whether the tagged financial and sustainability report is to be submitted to the respective registers as one iXBRL instance in one reporting package or whether there will be several iXBRL instances (financial report vs. financial report and sustainability report vs. financial report and ESRS report and Article 8 report) in one reporting package (multiple reports according to [report package specification](#) chapter 4.2, which should become part of the forthcoming amendments to Annex III para. 3 of the ESEF Regulation) or several reporting packages. In our opinion, submitting one reporting package containing multiple iXBRL instances combines the best of both worlds. Different divisions within an undertaking are sometimes responsible for preparing and tagging the financial or sustainability report. If several iXBRL instances are submitted, the divisions could work in parallel and independently of each other, only merging in the late stages of the construction and partition of reporting packages. The submission of multiple iXBRL instances would also have the advantage that any changes to the reports during the audit process would only result in amendments to the respective iXBRL instance. Clear regulation regarding the construction and partition of reporting packages will increase the usability and comparability of the reported data.

Transition period

Reasonable transition periods should be granted, as the tagging of sustainability information is a learning and adaptation process. Undertakings that are required to publish a sustainability report for the first time should not be obliged to apply all tagging rules in their first reporting year. Instead, such undertakings should only be required to tag some of their information in their first reporting years. Such an approach has already proved successful in the previous application of the ESEF Regulation. It is already apparent that when preparing the sustainability report, the respective colleagues specialising in sustainability reporting will also have to acquire additional expertise on tagging to be able to assess which information should be tagged with which taxonomy elements and how. Especially for new practitioners of tagging information, the new provisions are therefore likely to cause significant additional effort.

Frequency of updates to the taxonomies

Updates to the taxonomies should be communicated and consulted on as early as possible. In addition, amendments on the ESEF Regulation should only be applicable after an appropriate transition period (at the earliest 6 months after adoption of a delegated act) in order to give preparers, auditors and IT providers enough time for the implementation. It would be helpful if the corresponding taxonomy files were made available by ESMA as early as possible. The files could then be used as a basis for developing technical concepts in advance, which would save time when preparing the reports. This is also necessary because tagging must be planned into the preparation process (including coordination with the auditor). Experience from previous ESEF reporting seasons has shown that no (short-term) software updates can be considered due to the time constraints of the preparation process. Moreover, the IT systems used for reporting are subject to high security requirements. New software applications can therefore not be implemented at short notice. For this reason, practical experience and the requirements of other regulations should be taken into account when determining the application timeframe. Requirements for software applications should also be communicated as early as possible to ensure that they are ready for use at an early stage.

The time constraints of the processes on the part of the preparers, IT providers and auditors should therefore be taken into account when applying new regulations.

Guidance

We consider the provision of guidance to be important, as many preparers of sustainability reports will have no previous tagging experience.

To achieve a common understanding of which information should be tagged with which taxonomy elements and how, EFRAG, ESMA or the European Commission should publish illustrative examples of XBRL reports with guidance on how to tag information. A good example of such guidance is the [“IFRS Foundation’s document Using the IFRS Taxonomy: A preparer’s guide”](#) which is very clear and provides a good understanding with the help of examples.

EFRAG, ESMA or the European Commission could support preparers further by providing fully tagged model sustainability reports (and templates). With the help of such tagged model reports, preparers would not have to tag their sustainability reports themselves but could instead insert their respective information into the model reports.



The publication of a list of data points for the reporting requirements under the Taxonomy Regulation (comparable to EFRAG IG 3: List of ESRS datapoints) would be an additional aid for preparers.

Consultation period

We call for a longer consultation period (at least 90 days) to be granted in future, as this would allow for comprehensive field tests to be carried out. Substantiated feedback on draft taxonomies can only be obtained through such field tests. In addition, consultations should not be carried out between January and March, as preparers, IT providers and auditors are busy with the preparation, auditing and publication of annual reports during this period and have little capacity to participate in consultations.