

Name of the organization: BASF SE

Type of stakeholder: Preparers

Country: Germany

Q1:

BASF congratulates EFRAG for the publication of the draft ESRS set 1 XBRL taxonomy and is pleased to provide our feedback on that document. BASF agrees with its overall design and structure, especially the approach described in paragraph 42 of the Explanatory note and basis for conclusions, according to which the draft ESRS set 1 XBRL taxonomy transposes the ESRS Set 1 without modifying or altering the number of disclosure requirements or datapoints or their content, while also sticking to the same level of granularity. We also appreciate that there were only minimal deviations from the Implementation Guidance document IG3, which would facilitate the digital tagging of the datapoints. BASF strongly suggests that the final ESRS set 1 XBRL taxonomy follows the same structure and rationale.

Q2:

BASF will not provide comments for this question – preparer of the sustainability report using the Draft ESRS Set 1 XBRL Taxonomy.

Q3:

BASF agrees with the hierarchy levels as presented in the linkbase of the Draft ESRS XBRL taxonomy. As stated previously, we support and appreciate that it represents the same structure and design of the disclosure requirements and datapoints as in the human-readable version of the standards, since it will facilitate the allocation of the tags by preparers. However, it is important to mention that for narrative disclosures, which according to paragraph 89 of the Explanatory note and basis for conclusion, account for 50% - 60% of the total amount of potential datapoints included in the sustainability statement, we may face challenges in correctly tagging the three levels of information described, especially during the first years of reporting under the CSRD and the ESRS. In addition, EFRAG's Methodology and Architecture paper from 26 April 2023 acknowledges in paragraph 32 how "the human readable report is always the starting point for the tagging", and that the drafting of said report will have a direct impact in the complexity and comparability of the information in the ESRS set 1 XBRL taxonomy. Therefore, we strongly recommend certain flexibility going forward, especially in the first years of implementation of the ESRS standards and the ESRS set 1 XBRL taxonomy, as we expect the reporting practices to further develop and improve over time. Such flexibility could be done by implementing the digital tagging with a different progressive granularity as EFRAG's own suggestion in paragraph 34 of the Methodology and Architecture paper from 26 April 2023. We would like to also suggest even the postponement of the implementation of the ESRS set 1XBRL taxonomy until the preparers of the sustainability reports are more experienced with the preparation of the reports in accordance with the ESRS requirements.

Q4:

BASF agrees with the approach as it would facilitate the preparation of the XBRL tagging and reduce potential workload.

Q5a:

BASF agrees that the implementation of semi-narrative elements (yes/no Booleans, drop-down enumerations) enriches the narrative disclosures as it makes clear and understandable statements, as well as improves comparability among companies. However, from a preparers' point of view, the implications, complexity, and effort in implementing these elements should not be underestimated.

Q5b:

Please see answer to Q5a.

Q6a:

BASF will not provide comments for this question – XBRL expertise required.

Q6b:

BASF will not provide comments for this question – XBRL expertise required.

Q7:

BASF agrees with the approach of minimizing the need for XBRL taxonomy extensions to reduce the complexity and to increase comparability.

Q8:

BASF understands that the validation rules are appropriate and will help in the preparation of the XBRL tagging correctly, avoiding errors. One suggestion would be to also include validation rules to identify inconsistent data, for example, in the cases where the same information/data is disclosed across the report multiple times.

Q9:

BASF would like to emphasize that the effort to implement a massive amount of digital tagging in the sustainability report shall not be underestimated. It would require proper IT tools to be installed, additional resources and costs, as well as proper processes to be designed. In that sense, we would like to recall the currently aiming of the European Commission in reducing by 25% the reporting burden on EU companies to foster competitiveness. BASF acknowledges how sustainability reporting-related costs have significantly increased and are expected to do so in the short term. We would like also to highlight the importance of digital interoperability, since BASF needs to comply with other sustainability reporting frameworks such as the ISSB standards. EFRAG states in section 6.12 of the Explanatory note and basis for conclusions how concordance tables could avoid double reporting and/or tagging for preparers. However, EFRAG also acknowledges how these tables cannot be developed as long as the respective digital taxonomies are not completed. We therefore believe this is also a relevant factor to consider for the postponement or a potential phase-in of the implementation of the ESRS set 1 XBRL taxonomy. Another important point is that there are many technical developments around AI, and tools based on this technology are being adopted by users to analyze and compare sustainability-related data from companies. Therefore, we strongly recommend EFRAG to approach the users of the XBRL taxonomy to understand if the digital tagging would be the best solution in the future, considering the fast development of AI tools which could

potentially attend the users' objectives. Finally, we would also find useful complementing the final ESRS set 1 XBRL taxonomy with guidance materials to support the implementation by preparers.