

Name of the organization: The Dutch Accounting Standards Board (RJ)

Type of stakeholder: National or European authorities/Standard Setters

Country: Netherlands

Q1:

Overall, the Draft ESRS Set 1 XBRL Taxonomy adequately represents the ESRS Disclosure requirements. We noted, however, that the proposal includes very granular taggings, which is intended to serve higher comparability of the reported information and hence better insights for the users. On the flip side, we foresee rather significant workload for preparers – higher than for the financial statements under ESEF. Another risk we see is that with the ESRS disclosure requirements evolving, and a need in reporting maturity growth for most undertakings, we expect significant adjustments in the process over the first years adding to the reporting burden and consultancy spend. We also see that the XBRL taxonomy might hinder implementation of some provisions of ESRS, like e.g. incorporation by reference. The taxonomy makes the application of this option more complicated, so many preparers might choose to simply avoid it, which would also be a step back from the principles of integrated reporting. As a result, we recommend EFRAG to perform an appropriate field testing for the XBRL Taxonomy, considering perspective of both preparers and users. Additionally, we recommend to provide further application guidance, in particular if companies are aiming to have more integrated way of reporting (e.g. incorporation by reference).

Q2:

The Draft ESRS XBRL Taxonomy meets the needs of certain categories of users. We noted, however, a few cases where user needs might be not fully met, or the focus on machine-readable information presentation decreases the readability in the human-readable version: 1. The purpose and benefit for the users of information tagging is not clear in the following cases: • [200520] ESRS2.BP-2 Disclosures in relation to specific circumstances (Sources of estimation and outcome uncertainty): The purpose of a table with an overview of estimates applied across all ESRS disclosures is not clear, given there will be many applied in the first years, which in the current set-up would lead to many columns for each of the set enumerations. An indication of estimates is better suitable for each disclosure section to explain the reported metrics. • [200520] ESRS2.BP-2 Disclosures in relation to specific circumstances (Use of phase-in provisions): Clarification is required on the purpose and applicability of this table. The overview duplicates information disclosed in other sections but is not granular enough to be additional source of information for users. • [201510] ESRS2.MDR-M.1 Minimum disclosure requirement - Metrics MDR-M - list of ESRS metrics – general: - Minimum disclosure requirement - Metrics - list of ESRS metrics [table] -> It is not clear why an overview of all used metrics in one table is required, being a repetition to other disclosures. Level of granularity is also not clear, where consolidation of used datapoints might involve hundreds of lines. - Minimum disclosure requirement - Metrics - additional or entity specific metrics - general [abstract] -> A request to summarise entity specific disclosures in one view contradicts our understanding that those should be reported in the other applicable sections. The purpose and value-added of such summaries are not clear. - [201110] ESRS2 Policies and (or) actions not adopted – general and [201420] ESRS2.MDR-T.2 Minimum Disclosure Requirement - Targets MDR-T - targets not adopted - general: The taxonomy requests to present a list of policies, actions and targets not adopted, per each ESRS. The purpose of such an overview in addition to what is disclosed in the topical sections is not clear and appears to be more aimed at auditors or supervising authorities, rather than being useful for general users. • Adding excessive and duplicate information complicates the human readability of the information. Users of information are usually interested in the companies'

strategies and disclosures. Application of estimates, for example, is mainly used by users to assess to what extent they can rely on disclosed information and hence better belongs to the respective topical sections, but not as a value-adding separate disclosure. • We believe that EFRAG's consultations so far have been somewhat weighted towards the needs of end users, particularly data providers and ESG ratings agencies. Reference is made to the anonymised views of these stakeholders provided in Appendix 2 of the Explanatory Note and Basis of Conclusions. However, we believe it is important to see if the weight of the preferences of both preparers and users is reasonably allocated. It appears that the perspectives of and impact on preparers have not been taken fully into consideration. We also believe that data providers and ratings agencies may prefer the chosen approach since it reduces their cost by essentially transferring the burden of data classification to preparers. 2. Charts and visual presentations are widely used in the disclosure of information and are preferred in human readable version, however, are not considered in the XBRL Taxonomy. To be machine readable, information usually presented as charts and graphs will need to be converted in tabular format or presented twice to be useful for both human and machine reading, which will make the reports heavier. An example could be [200610] ERS2.GOV-1 Role of administrative, management and supervisory bodies – where usually organisation charts are used for such disclosures. A similar example is double materiality – usually presented as a chart. In our view, use of graphics/visuals in human version should not be discouraged due to the digital tagging, and taxonomy should clearly explain how to address such items in the machine-readable version.

Q3:

In general, we see the logic of tagging per the level 1-2-3 hierarchy. However, we foresee challenges in practical implementation, as the granularity is much higher than for the financial information whereas the maturity of sustainability information is significantly lower. We see that overlapping duplicated XBRL elements was avoided, however, some data are requested to be reported and tagged twice – individually in each ERS section as minimum disclosure requirements and in summary tables under ERS 2. Please see examples in the answer to Q2. We do not see the purpose and value-added in creating summary tables for e.g. used estimates, all metrics, all policies adopted and not adopted. Users of information seek data about the undertakings' performance per each sustainability area. Use of estimates, for example, allows users to conclude to what extent they can rely on provided information, but is not useful as a stand-alone cross-cutting summary disclosure. The main concern many companies may have with the XBRL system proposed by EFRAG is that it would significantly constrain the company's ability to present the required information in a narrative that human readers will be able to follow and conclude upon. That should be the basis and starting point for the tagging. It now seems to be the other way round, tagging leads the narrative. With the anticipated levels of information, it will become a challenge to correctly tag the relevant levels of information through the datapoints in the sustainability statement. This should also be seen with the upcoming mandatory reporting requirements for CSRD and ERS, which in itself is already a major challenge to ensure the reporting is fit-for-purpose, accurate and assured where required.

Q4:

Please see the response to Q3 above.

Q5a:

Please see our comment regarding use of Booleans in Q6.

Q5b:

Many companies and auditors are uncomfortable with a Boolean data type, as it requires a binary yes/no answer to questions which may require context or qualification. This data type is not always appropriate for narrative text or data not binary by default. In some cases, Booleans have been used for data that in substance are 'extent to which'. An example is the generic 'stakeholders have been involved in target setting' tag. A Yes may cover anything from the most perfunctory to the most extensive consultation. It is not easy to see what this Boolean adds to the accompanying text block. We recognize benefits of using Boolean data type answer where information is a clear fact and of binary type, since it creates simplicity in summarising and comparing data. However, due to a use of transformation rule there will be extra reporting burden for reporters and, more importantly, audit risk in applying the Boolean data type, given manual reconciliation of human and machine-readable info will be required from an assurance provider. As per our understanding, if a text data type is applied, a user of information makes a conclusion on the disclosure based on the information included in the sustainability reporting. If Boolean is applied, an assurance provider needs to confirm the accuracy of Boolean answer vs. the human readable disclosure. With development of AI technologies, this transformation potentially might be supported by automation, however, in the first years of application we see a challenge. For the moment, extra clarifications are required on the requirements to the presentation of the information for the human reading and for the required assurance.

Q6a:

The question is Not applicable since is intended for technical experts

Q6b:

The question is Not applicable since is intended for technical experts

Q7:

We agree overall that the approach minimises the need for XBRL Taxonomy extensions and better comparability. However, as mentioned in our response to Q1, we foresee rather significant workload for preparers.

Q8:

We consider that overall the proposed validation rules are appropriate, however, the current scope of applicable provisions does not allow to conclude on the value-added of this functionality. Information required by the other legislation is limited in many cases. For example, according to the table with XBRL Taxonomy, for ESRS E1 only one line falls under the rule EU Datapoints (ERROR Severity) - Disclosure of energy consumption and mix [text block]. As compared with other disclosure requirements relevant for this area, an ERROR message only for this line might be not too useful. With the developments of respective legislation that perhaps would change. We also would like to stay cautious regarding embedding the additional validation rules in the taxonomy itself (as per par. 112) as this may reduce the flexibility to use a taxonomy and reduce data traceability. If implemented, we would recommend keeping such validations as warnings only.

Q9:

1. As a result of the delay in the adoption process of the XBRL taxonomy, this will mean that the large listed entities will prepare their FY2024 sustainability report without tagging first, and then in

their second FY2025 sustainability also incorporate the detailed tagging; effectively providing them with a phase-in of 1 year in respect of the digital tagging. This raises the questions, whether it would also be beneficial for the large non-listed entities, which will need to prepare their first sustainability reporting for FY2025, to provide a 1-year phase in for their digital tagging, so that they would only need to include such detailed tagging in their FY2026 sustainability reporting. Due to the enormous challenge for this category of companies for the first time preparing a sustainability report, we would strongly support a phase-in of 1 year for these entities as well. Companies that will need to publish sustainability reports will welcome an XBRL postponement to focus their efforts, as stated before, on the CSRD and ESRS reporting requirements. In addition, the additional XBRL reporting burden does contradict the European Commission statement to reduce the reporting burden to on EU companies by 25%. 2. We note that paragraph 121 refers to IFRS; although for the listed companies this would normally be the reporting standards used, but for the large non-listed entities, local GAAP will to a large extent be applied. The document does not address whether/how the interaction works when local GAAP is being applied. If you feel that any of our concerns cannot be addressed by EFRAG but are within the authority of ESMA or the EC, we would appreciate if you shared those with the respective organisations.