

Name of the organization: XBRL Europe

Type of stakeholder: XBRL experts

Country: Belgium

Q1:

We agree that the digital Draft ESRS Set 1 XBRL Taxonomy adequately represents the ESRS disclosure requirements. In addition, there are a number of aspects on which we feel that the Taxonomy does not represent some information that is given in the standards to the best extent possible.

1. Representation of the shall/may distinction in the standards: The standards make a difference between data an undertaking shall disclose when a topic is material, and suggestions of data that an undertaking may disclose. The taxonomy includes elements for both data points, which is appropriate. However, there is no clear difference shown in the taxonomy between these two types of data points. It would be very useful for both users and issuers to be able to differentiate elements by using this characteristic. Such a difference could be achieved by using different reference arcs, for instance. 2. Representation of data points that are often integers: The taxonomy created elements as integers where the standard does not explicitly require integers. As figures may be reported as averages (for instance, the number of hours of training), using this type will create trouble. Given the elements in question, we see little disadvantage to creating them using the decimal type instead. 3. Representation of metadata about specific data points: Besides the basic attributes (metric, dates, value), there are important aspects of information that the ESRS highlight, that do not seem to be reliably modelled in the taxonomy. For instance, knowing whether information has been directly measured or has only been estimated through benchmarks is important, but the taxonomy only allows disclosing at a level that is hard to reliably link to the actual metrics. In the example below, what would a user be expected to understand from a disclosure that "Climate change adaptation metrics disclosed are subject to a high level of measurement uncertainty"? What are "Climate change adaptation metrics"? This seems too vague for a digital format where we have precise elements representing each metric. Example: [999138]

Enumeration: Sustainability matters' metrics disclosed that are subject to high level of measurement uncertainty Total/Metrics [member] ESRS E1 Climate Change [member] Climate change adaptation [member] Climate change mitigation [member] Energy efficiency [member] Renewable energy deployment [member] Other climate change subtopic [member] 4. Representation of granular narrative aspects of entity-specific information: While the 1-to-1 translation of subparagraphs to elements principle works in most cases, there is a specific case in which we believe it does not work well. Some level 3 elements seem too granular in specific cases, where the content of these elements would only be understandable after reading the contents of other elements. For instance, when talking about stakeholder engagement as part of ESRS 2, a breakdown per type of key stakeholder is possible. For each type of key stakeholder, there must be a description of the stakeholder and then a description of the purpose of the engagement with that stakeholder. The description of the purpose of the engagement with the stakeholder is probably hard to make sense of without the description of the stakeholder, so we believe that granularity may be too fine.

Generally speaking, if a subparagraph acts as a complement, describing narrative information about something that is very entity-specific and defined by the contents of other elements, it would seem difficult for this element to be decision-useful by itself. 5. Representation of MDRs in G1: We note that the MDRs are not reflected in the ESRS G1 sections of the taxonomy. While it is true that G1, differently from other topical standards, doesn't mention the MDRs, ESRS 1 paragraph 33 states that "When disclosing information on policies, actions and targets in relation to a sustainability matter that has been assessed to be material the undertaking shall include the information prescribed by all the Disclosure Requirements and datapoints in the topical and sector-specific ESRS related to that

matter and in the corresponding Minimum Disclosure Requirement on policies actions and targets required under ESRS 2." We would then infer that MDRs indeed apply to G1 disclosure, and that the taxonomy should reflect this. This also would be consistent with the opinion of the TEG on this point (see:

[https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2402191133212770%2F06-](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2402191133212770%2F06-04%20Log%20of%20Explanation%20SR%20TEG%20Meeting%20240229.pdf#page=7)

[04%20Log%20of%20Explanation%20SR%20TEG%20Meeting%20240229.pdf#page=7](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2402191133212770%2F06-04%20Log%20of%20Explanation%20SR%20TEG%20Meeting%20240229.pdf#page=7)). 6.

Representation of extensible enumerations reflecting examples in the standards: We believe there is a problem with the enumerations that correspond to places in which the standards give a non-comprehensive list of options or examples. In the standard is stated: 34.(f) the undertaking shall describe the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets (e.g., energy or material efficiency and consumption reduction, fuel switching, use of renewable energy, phase out or substitution of product and process). In the taxonomy this is included as follows: [999103] Enumeration: Decarbonisation lever type Decarbonisation lever [member] Energy efficiency and consumption reduction [member] Material efficiency and consumption reduction [member] Fuel switching [member] Electrification [member] Use of renewable energy [member] Phase out, substitution or modification of product [member] Phase out, substitution or modification of process [member] Supply chain decarbonisation [member] Other decarbonisation levers [member] We do not think it is right for options other than those given as examples in the standard to all be clumped together. In the example, users would then not get information about which type of decarbonisation lever is used. As their name imply, extensible enumerations should be extended when the information does not correspond to a specific item in the list, and so the "Other" members in enumerable extensions should either be removed, or they should be explicitly reserved for cases where the report itself does describe a residual "Other" category. 7.Representation of tables with entity-specific breakdowns and a total: We also notice a drawback in the clarity of the presentation of the taxonomy itself, that we understand to be linked to the lack in the XBRL standards of a way, as of today, to address default values in typed dimensions that required EFRAG to create several hypercubes for just one table in a report. While we understand the technical need to separate those in the definition linkbase, we disagree with the handling of the presentation linkbase. We understand the common practice of having the presentation linkbase to be a 'mirror' of the definition linkbase, but we deem that common practice to not be ideal practice here. We illustrate an example. From the file: Annex-1-Draft-Article8-XBRL-Taxonomy-illustrated-in-Excel. Lines 4186-4221 of the PresenationLinkbase tab. Two tables are included in this part: Financial and in-kind political contributions made by country [table] Financial and in-kind political contributions made by geographical area [table] In our opinion, the presentation does not make it clear enough that the intention is to model a single table (in the report) for the "political contributions made" elements. We would therefore like to request that tables be presented in the presentation linkbase in a way that better represents the logical structure of the data, and would also be more compact and much easier for all stakeholders to navigate. 8. Adding references to dimensions: We would like to suggest adding references to the dimensions and dimension members in the same way as concepts do, or alternatively to add them to the hypercubes. This helps remove ambiguity around the use of dimensions. Adding references to dimensions or members can have some drawbacks, since dimensions and members are reused in different parts of the standard and therefore many references can occur. Adding reference to hypercubes instead of dimensions may help to overcome this issue.

Q2:

It is clear that the ESRS taxonomy is designed with the user's perspective in mind. Nevertheless there are three main points for improvement that can be made to maximize this effort. 1.Enhancing Data Quality and Taxonomy Modelling: A pivotal concern for users lies in the quality of filed data,

primarily influenced by filers. Presently, the divergence in taxonomy modeling among ESEF, ESRS, and Article 8 poses challenges for filers. This disparity leads to varied interpretations of data in iXBRL documents, complicating the reporting process. Moreover, the contrasting approaches in entity-specific content creation, with ESRS utilizing typed dimensions and IFRS employing extensions, further exacerbate confusion for filers. We recommend offering clear guidance and documentation for filers that distinguishes between those using the built-in extension mechanisms (typed dimensions) and those preparing entity extension taxonomies. Additionally, specific RTS tailored to ESRS by ESMA would be imperative, as the existing ESEF RTS may not adequately address requirements for ESRS.

2.Optimizing Linking Mechanisms: Leveraging linking mechanisms more effectively is paramount. Currently, fundamental links between risks, policies, and action plans rely heavily on textual disclosures. However, this approach necessitates assumptions regarding name consistency across disclosures. Encouraging filers to utilize linking mechanisms would mitigate reliance on assumptions, fostering clearer and more accessible reports.

3.Addressing Nil Values: The utilization of nil values within the ESRS taxonomy raises concerns regarding interpretation for users. It is recommended to prohibit nil values unless their necessity is explicitly justified, accompanied by clear guidelines for filers and users. Furthermore, distinguishing between nil, zero, and unreported values is essential to prevent misinterpretation. Risks associated with automatic generation of nil values by software and compatibility issues with tools unable to process nil values underscore the importance of this clarification.

Q3:

We advocate for the implementation of a hierarchy within the ESRS taxonomy, and agree with the Level 1, 2 and 3 structure. XBRL Europe's creation of a hierarchy for ESEF reports greatly facilitated issuers' tagging processes, garnering positive feedback from the market. Therefore, we are pleased to observe that this hierarchy has been incorporated directly into the ESRS taxonomy. Issuers should be able to navigate the taxonomy with ease due to the format of the hierarchical structure and its direct relationship references to the ESRS standards. Users of the data have the ability to perform a high-level review of datapoints using Level 1 and can deep dive into L2 and 3 where users require more granular data points.

Q4:

We support re-using elements within the taxonomy to avoid double-tagging. To improve the normalization of the taxonomy, we encourage making elements less specific to certain parts of the regulation. For example: "Information about specific collective action for water and marine resources [text block]" has to be reported with dimension IdentifierOfActionPlanTypedAxis or TopicalESRSAxis. Instead, the element "Information about specific collective action [text block]" can be made and reused in different parts of the taxonomy.

Q5a:

Yes, we support the inclusion of semi-narrative XBRL elements and consider the reasons for doing so well explained in Appendix 1 of the Explanatory Note and basis for conclusions.

Q5b:

We view the addition of the technical and conditional Booleans as a good step towards better and more structured information. We agree they provide a clear benefit to consumers of the reports and note that a similar approach is used in US corporate reporting and has received positive feedback.

We think the taxonomy should provide some additional help to ensure the tagging is done correctly, in particular it is not readily apparent how some of the Boolean values should be interpreted. For example, the concept with label "Extent to which assets and business activities may be exposed and are sensitive to identified climate-related hazards has been assessed" has a Boolean data type. We assume the Boolean represents whether the extent has been assessed (true) or not (false), rather than referring to, for example, the "are sensitive" clause, but not all readers found this apparent from the label. We recommend that two measures are used to clarify the meaning of the Boolean values: The labels for each type of Boolean should follow a common grammatical structure so that they are instantly recognisable as a particular type of Boolean. There should be documentation on the true/false members to explicitly say what the meaning of these values are. An example of good documentation is from the US GAAP taxonomy, the concept with label, "Investment Owned, Zero Balance May Reflect Amount Rounded to Zero" has a Boolean data type. To ensure it is clear what true or false mean, it also has a documentation label, "Indicates (true false) whether zero balance represents value rounded down to zero".

Q6a:

Yes, we agree with the dimensional modelling of the ESRS XBRL taxonomy and, in particular, the use of typed dimensions as a linking mechanism to collect related facts about particular IROs, policies, actions, targets and metrics.

1.Typed dimensions used to link facts: The taxonomy currently uses identifiers to link related facts for a IRO/policy/action/... (for example, all facts about target 1 share a typed dimension value of 1). This works well for the facts related to a specific IRO/policy/action. When relating a policy or IRO to a target, the taxonomy combines the IRO/policy identifier with the human readable name of the IRO/policy. We would recommend capturing the related identifier as one value, separate from capturing the related name as another value (i.e. two separate concepts), so that the identifiers are standalone facts (or dimension values). For example, in ESRS2.MDR-T.1 (about targets), there is a concept "Name or identifier of related policy", this could be split in to a "Name of related policy" and a typed dimension of "Identifier of related policy". The identifier would then provide a strong link (would be exactly the same identifier) to the policy specified in ESRS2.MDR-P.1. A further advantage is that specifying more than one policy as related to the target uses the standard mechanism of adding a second dimension value for the second policy, while keeping the same identifier for the target. This approach may require some changes to the hypercubes but facilitates automated verification that all reported IRO/policy/action/target/...(s) are consistently and unambiguously linked.

2.Using 'nil' as a default value for typed dimensions: We would encourage development of the taxonomy so as to avoid use of 'nil' typed dimensions, as 'nil' is often used to convey different things by different taxonomy authors. This differing of opinions can make implementation difficult for software vendors and decisions about when / why to use nil hard to understand for preparers. One alternative to requiring nil typed dimensions is to provide one or more "auxiliary" hypercubes in the definition linkbase that include all the primary items and required dimensions but exclude the various optional typed dimensions. The result is that a fact is dimensionally valid without needing to set an unwanted typed dimension to 'nil'. Often these 'auxiliary' dimensions are placed at the end of the taxonomy '[999999] Auxiliary hypercubes'.

Q6b:

We acknowledge that the ESRS standards require the filer to specify their own breakdowns where appropriate, as stated for example in paragraph ESRS E1 AR40 . There are likely two ways filers will do this, either via an entity extension taxonomy (and creating their own hypercubes) or using combinations permitted in the ESRS taxonomy. However, open hypercubes will always be prone to data integrity issues (as covered in <https://www.xbrl.org/WGN/dimensions-use/WGN-2015-03-25/dimensions-use-WGN-2015-03-25.html>) and so there is always a strong preference for a

taxonomy to only have closed hypercubes, including use of 'auxilliary' hypercubes for all the optional, valid combinations. The suggested additional arcrole of "optionalDimension" in combination with an open hypercube would avoid these data integrity issues if it was adopted by the specification working group of XBRL International and the validation behaviour specified for any open hypercube including that arcrole to be equivalent to that for a closed hypercube with optional dimensions. In this situation (optionalDimension forming part of the standardised, certified behaviour of XBRL processors), the "optionalDimension" facility would be preferable to the use of 'auxilliary' hypercubes as it would be simpler to understand.

Q7:

1 IROs, Policies, Actions and Resources, Targets and Metrics: The use of typed dimensions makes sense and is a familiar pattern in XBRL. Making use that the identifiers of any relationships between IROs, Policies, Actions etc. are distinct from their names (as outlined in our response to 6a) will enhance this approach. 2 additional requirement to ESRS data points: Our understanding is that this refers to the below two mechanisms provided to allow for entity-specific reporting without the use of extensions: 1) Using a high level block tag to capture all the information in a section of the report; and 2) Using a residual ("Other" from) structure to capture material disclosures that are not explicitly part of the ESRS standard. Explicitly tagging additional information using "Other" makes it clear which particular text is additional to ESRS required data points. Non ESRS data in a large, level 1 block tag is often quite difficult to distinguish from any ESRS data and so the value to a user of a large, level 1 block tag is often fairly low. 3 disclosures stemming from other legalisations or generally accepted sustainability standards and frameworks: We assume this refers to the "[601011] Other material and (or) entity-specific information" section of the taxonomy. We agree this is an appropriate and efficient way to tag and collect data related to other standards or legislation. The items chosen look to be specific enough to be useful and general enough to capture any additional information. We believe the four concepts used in the more granular structure will be easier to use and entirely remove the need for top level block tag to capture the targeted data. We do note that references to legislation or other sources are generally required to be structured in order to be useful. However, since this is not a core requirement of this taxonomy we think a free text field is a reasonable approach to capture the reference. 4 "Other" entity specific disclosures, including metrics? We assume this is related to the provision of options or tags that use the key word "Other...". As before, we agree these are effective in reducing the need for entity-specific disclosures and note there is published guidance (see: <https://www.xbrl.org/guidance/modelling-base-taxonomy-for-esd/#sec-other-element>) for how to use these effectively.

Q8:

We believe that incorporating errors and warnings into the taxonomy are beneficial for improving the quality of reports. Nevertheless, we recommend removing the "INFORMATION (OK)" messages as they can overflow users with unnecessary notifications, potentially leading software vendors to filter them out. Additionally, we have two further suggestions: It's essential to carefully review the application of formulas in the taxonomy to ensure accuracy. For example, while paragraph 85 of the standards specifies that either average or total headcounts must be reported, the taxonomy currently mandates both elements. This misalignment could lead to instances that give warnings while applying the standards correctly. We propose that formula linkbases should not be included as a standard component of the DTS. Instead, ESMA should have the flexibility to decide whether to utilize them according to their specific needs and preferences. We support adding validations using the XBRL formula specifications. Experienced thought us that adding to much validations can become overwhelming for fillers. Adding parameters to be able to turn extra validations on or off, can be helpful for software vendors to be able to toggle on these validations. An alternative can be

for certain cases to use restricted data types when (for instance) a fact always has to be positive. This can be used when it is set in the standard such that it applies to 100% of situations.

Q9:

We have the following additional items of feedback on the taxonomy: 1. Sample inline XBRL reports: We welcome the inclusion of sample inline XBRL reports demonstrating how to use the taxonomy and undertake certain tagging. The current text in the samples (Latin "lorum ipsum") makes it difficult to understand expectations around tagging various items, including text blocks, booleans and drop-downs (enumerations). We recommend future versions are enhanced to use more realistic narrative text and tagging open (the current text is Latin "lorum ipsum") as that will then make clearer expectations around tagging. We also recommend a sample and guidance is produced for those reports that follow a "content first" rather than "taxonomy centric" approach as tagging of granular narrative data is likely to be quite complex and different to those reports (like the current samples) that follow a "taxonomy centric" approach. 2. Multiple mechanisms for referring to targets: There are four different techniques used in the taxonomy for linking targets to other parts of the report: NameOfRelated... typed dimensions ESRS Metrics Used For Target extensible enumeration Reporting Scope dimension on various metrics when set to Milestones and targets TargetRelatesToReductionOfWaterDischarges Boolean concept We would recommend reducing the number of different mechanisms used in the taxonomy for linking targets to other parts of the report as that will simplify preparing reports and also consuming reports. 3. Use of Boolean data types and extensible enumerations: We strongly support the modelling decisions evident in the taxonomy termed booleans and drop-downs (extensible enumerations). This approach simplifies production of reports and consumption of reports alike. The explanatory document accompanying the taxonomy, and the illustrative samples, uses the same mechanism for tagging extensible enumerations as used by the existing ESMA ESEF and SEC EDGAR reporting manuals. We think this consistency with existing practice lowers implementation burden for software providers. We would encourage the taxonomy team to go further and include guidance to use fact-to-fact relationships to tie the drop-down elements to the related narrative disclosure, using the existing fact-explanatoryFact arcrole (as an addition to the existing list in paragraph 170, page 45 of the explanatory document). 4. The Reporting Scope dimension: The Reporting Scope dimension has a number of different domains attached that look to be complimentary rather than exclusive: Whether the fact is a target or measured value Whether the fact is a correction of a previously reported fact Whether the fact relates to short/medium/long term time horizons Whether the fact relates to specific pre-defined milestone years For example, a fact could be both a target and a correction to a previously reported target but at the moment it is only possible to set one of target or correction. We recommend adding a distinct dimension for each domain above that could be used by a filer alongside one or more of the other domains. Special thanks for all the individual contributors to the consultation of the XBRL community: Shraddha Bagul, Paul Beckmann, Marc Houllier, Catalina Ibanez, Gabija Kielaite, Thomas Klement, Elina Koskentalo, Gilles Maguet, Romane Maguet, René van der Meij, Patricia Myles, Revathy Ramanan, Stuart Rowan, Jon Rowden, Ben Russell, David Shaw, Jon Siddle, Carina Tepper, Bruno Tesnière, Thomas Verdin, Appie Verschoor, Joel Vicente, Paul Warren