

Name of the organization: Cefic

Type of stakeholder: Preparers

Country: Belgium

Q1:

Cefic – the European Chemical Industry Council – welcomes the opportunity to comment on the draft ESRS set 1 XBRL taxonomy and congratulates EFRAG for the efforts made in this regard. Cefic acknowledges the purpose of the draft ESRS set 1 XBRL taxonomy and agrees with its overall design and structure. We agree with 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 encourage the European Securities and Markets Authority (ESMA) and the European Commission to follow that rationale.

Q2:

Cefic membership is mostly composed of corporates (preparers), so will not extensively comment on this section. The draft ESRS set 1 XBRL taxonomy overall meets the needs of users, particularly ESG rating agencies and data providers. The topics that are not material but voluntarily disclosed by the companies will not necessarily be covered. Hence, we suggest starting with the tagging for less complex data, e.g., quantitative information, and gradually increasing the complexity of the tagging. As highlighted in the following questions, doing so would reduce the reporting burden on preparers and provide a suitable phase-in approach.

Q3:

As stated previously, Cefic supports the draft ESRS set 1 XBRL taxonomy to represent 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 efforts of preparers. Cefic also supports the hierarchy levels proposed for the same reason. However, we note 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, preparers may see challenges in correctly tagging the three levels of information described, especially during the first years of reporting under the CSRD and the ESRS. We would like to recall that first reports are expected from larger companies in 2025 for the financial year 2024. According to paragraphs 44, 45, and 46 of the Explanatory note and basis for conclusion, we understand that EFRAG has developed the draft ESRS set 1 XBRL taxonomy for a sustainability statement that strictly follows the structure of the disclosure requirements and datapoints of the ESRS (referred as to "taxonomy-centric" from the preparers' perspective). However, for the reasons mentioned above, sustainability statements are not likely to be shaped in such a way during the first stages of sustainability reporting. Instead, we expect reporting practices to improve and become more consistent over time. We would therefore recommend an implementation approach of the ESRS set 1 XBRL taxonomy aligned with this reality. 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. We would therefore like to suggest EFRAG to consider the adequate postponement of the implementation of the ESRS set 1

XBRL taxonomy until reporting practices are further developed and improved. This will have to be assessed in due course in accordance to the degree of harmonisation of reporting practices once the ESRS set 1 XBRL taxonomy is finalised. The postponement could be complemented with a phased-in implementation of the different levels of tagging regarding narrative disclosure requirements and datapoints. According to this, preparers would be given the possibility to start tagging the "level 1 XBRL element" and progressively move towards "level 2" and "level 3". We understand this would also be in line with EFRAG's own suggestion in paragraph 34 of the Methodology and Architecture paper from 26 April 2023, as it states that "[narrative disclosures] can be implemented with a different progressive granularity [...]". The same paragraph also highlights the possible inconsistencies between the human-readable report and the digital report when the former does not strictly follow the structure of the ESRS. We are aware that ESMA and the European Commission will ultimately decide on these aspects, but it would still be useful that EFRAG included this suggestion in its final recommendations.

Q4:

Cefic supports EFRAG's proposal as it would ease preparers' workload.

Q5a:

We would like to suggest EFRAG also consider the implications for preparers of implementing such elements in case it could lead to increased complexity in digital reporting. Also, EFRAG would need to ensure that no relevant information can be left excluded in such cases.

Q5b:

See Q5.

Q6a:

Cefic will not provide comments for this question.

Q6b:

Cefic will not provide comments for this question.

Q7:

Cefic supports the minimisation of the need to create additional XBRL taxonomy extensions as this would increase complexity in digital reporting for preparers.

Q8:

Cefic supports these validation rules as it will guide preparers in carrying out digital reporting correctly.

Q9:

Cefic would like to reiterate the need to postpone and potentially phase-in the implementation of the ESRS set 1 XBRL taxonomy to adequately capture the progressive development and overall improvement of sustainability reporting under the CSRD and the ESRS. In addition to the constraints mentioned in Q3, we would also like to recall how the European Commission is currently aiming at reducing by 25% the reporting burden on EU companies to foster competitiveness. However, Cefic and its members acknowledge how sustainability reporting-related costs have significantly increased and are expected to do so in the short term, therefore placing an excessive resource-consuming burden on them. We would also like to highlight the need for digital interoperability, since many of our members operate globally and need to comply with other sustainability reporting frameworks such as the GRI or 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 take into account for the postponement and potential phase-in of the implementation of the ESRS set 1 XBRL taxonomy. We would also find useful complementing the final ESRS set 1 XBRL taxonomy with guidance materials to support the implementation efforts of preparers on their digital reporting. Cefic and its members would also like to know whether there is any mechanism foreseen to enable preparers to confidentially tag sensitive information. Lastly, we strongly suggest ESMA and the European Commission to publish a tentative timeline of the development and implementation of the ESRS set 1 XBRL taxonomy to bring more certainty and clarity to relevant stakeholders. As this implementation process unfolds and consolidates, we would like to remark how AI-based tools already in place are currently supporting users in analysing and comparing sustainability-related information from companies.