

Name of the organization: Accountancy Europe

Type of stakeholder: Other (please specify)

Please specify: Accountancy Europe unites 50 professional organisations from 35 countries that represent 1 million qualified accountants, auditors and advisors.

Country: Belgium

Q1:

Yes, we agree that the digital Draft ESRS Set 1 XBRL Taxonomy adequately represents the ESRS disclosure requirements. We acknowledge that the challenge is particularly difficult as established practice in ESRS disclosures is not yet available. Accordingly, some of the assumptions made while developing the taxonomy elements will need to be revised once the digital sustainability reports are available. For example, the hierarchical system of nested elements as implemented by the draft taxonomy seems to be the most appropriate way. This approach assumes that individual disclosure requirements and data points could be reported separately and thus can be tagged individually which may not always be the case.

Q2:

The Draft ESRS XBRL taxonomy appears to be an appropriate basis for the overall package (i.e. ESEF RTS and tagging rules) that will be finalised by the European Securities and Markets Authority (ESMA) and the European Commission (EC). We recommend ESMA and EFRAG to engage with relevant stakeholders, including users, software solution providers and assurance providers, with a view to identify and address potential practical issues in a timely manner. As the reporting and tagging practices evolve, the underlying rules and taxonomy elements may naturally need to be revised. In this regard, the engagement with stakeholders should be maintained. Accountancy Europe represents close to 1 million professional accountants, auditors and advisors in Europe and is committed to collaborate with the EU authorities in their efforts for the transition towards a digital and sustainable economy in Europe.

Q3:

Yes, we agree that this is an appropriate approach and reflects the structure followed in the ESRS for the disclosure requirements and datapoints. We also agree with EFRAG that the Level 1 XBRL elements may have an important role to play and therefore it is appropriate to include them in the taxonomy for further consideration by ESMA. In addition, we would like to highlight the potential trade-off between applying a more granular approach to tagging and preparers' ability to present sustainability information in a way that best reflects their own story. The latter might lead to sustainability statements whose design deviate from the architecture and structure of the ESRS, and the taxonomy should allow this. Please also see our response to question 1.

Q4:

In principle, we agree with the need to avoid multiple tagging as much as possible. However, we are not in a position to assess the extent and practicality of any modifications that would be necessary for existing software to be able to provide the technical solutions proposed by the taxonomy. Accordingly, feedback from software solution providers and any results from field testing should be

considered. In addition, the assumption that a clear linkage between IROs, Policies, Targets and Actions can be provided should be considered by ESMA taking into account early implementation of ESRS and the taxonomy.

Q5a:

Yes, we agree that the implementation of semi-narrative elements (yes/no Booleans, drop-down enumerations) enhance the comparability of data for users by making it easier to analyse. In some cases, categorisation may not be enriching the narrative disclosures. For example, an undertaking may respond to the proposed Boolean element '[302020] E2-2 Actions and resources related to pollution: Key action is taken to provide for and cooperate in or support provision of remedy for those harmed by actual material impacts' with a 'yes', however a detailed description of the key action will likely be more relevant for the users. In other words, Booleans will lead to a different reading in the machine-readable reports where the information is presented as yes or no compared to human-readable statements which will include more detailed and nuanced information. Therefore, the use of such elements should be limited to cases where this difference is trivial.

Q5b:

We do not have any comments other than what is included in our response to the previous question.

Q6a:

We are not responding to this question as it is addressed to XBRL experts.

Q6b:

We are not responding to this question as it is addressed to XBRL experts.

Q7:

We do not have any comments other than what is included in our responses to previous questions.

Q8:

Validation checks have a key role to ensure a uniform quality of sustainability information digitally reported. Provided that they are tested and proven to be successful in practice, we are supportive of introducing practicable validation rules that do not lead to false positive validation messages. With the implementation of ESEF on the annual financial reports, we have observed that some issuers have tried to minimize the number of warnings by workarounds. Considering the nature, timing and implications of validation rules to be implemented is therefore crucial. This is especially relevant when the tagging is omitted as a result of opting for phased-in provisions of the ESRS, which could result in false positive messages. This may lead to unintended consequences such as inconsistency in tagging approaches and different interpretations between preparers and auditors.

Q9:

EFRAG has been tasked to develop the digital taxonomy for ESRS Set 1 on the basis of which ESMA will define the tagging rules to be applied. Such tagging rules will finally be adopted by the European

Commission. This process will take considerable time and clearly the taxonomy will not be formally finalised and available for use in 2024 sustainability statements. It would be helpful if this is communicated clearly and timely by European authorities to avoid confusion in the EU capital market. Such communication should also clarify the implications of this delay for the companies that will be subject to CSRD requirements in the upcoming years. It would also help to establish necessary mechanisms and structures to provide implementation support and to maintain (and revise) the taxonomy as appropriate. Finally, we believe that the block-tagging rules for the notes to annual financial statements and those for sustainability disclosures should be aligned to the maximum extent possible. This would offer efficiency and minimise confusion for all the parties in the corporate reporting ecosystem.