

Name of the organization: VCI

Type of stakeholder: Preparers

Country: Germany

Q1:

We agree that the given structure of the Draft ESRS taxonomy represents the human-readable ESRS disclosure requirements, with only minimal deviations from IG3. 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. Therefore, we strongly suggest that the final ESRS set 1 XBRL taxonomy follows the same structure and rationale.

Q2:

From a preparer's point of view, no answer can be given to this question.

Q3:

We endorse the hierarchy levels of the Draft ESRS XBRL taxonomy, as defined in the presentation link base. It provides the same structure of the disclosure requirements as in the human-readable standard and therefore facilitates the allocation of tags to specific disclosure requirements and data points. In view of EFRAG's proposal to use all levels of tags, including the level 1, 2 and 3 of narrative text block tags, our proposal for the first reporting period is to postpone this suggestion until the preparers of the sustainability reports are more experienced with the preparation of the reports in accordance with the ESRS requirements (knowing that the final decision, how the tagging must be done is based on ESMAs' decision). Based on experiences of the ESEF tagging, the use of granular levels can be challenging and prone to errors for preparers: According to paragraph 89 of the Explanatory Notes and the Basis for Conclusions, narrative disclosures account for 50-60% of the total potential data points in the sustainability statement. Furthermore, EFRAG's Methodology and Architecture paper from 26 April 2023 acknowledges in paragraph 32 the importance of the human-readable report as the primary reference for tagging, emphasizing its direct impact on the complexity and comparability of information within the ESRS set 1 XBRL taxonomy. The use of granular tags, starting here from level 3 elements, should not be mandatory for the annotation of qualitative information. An exclusive tagging of the first two levels would be sufficient and would give the reader adequate information about the specific sustainability disclosures. Furthermore, level 1 can help users to identify the sections and get a better overview. We strongly advocate for flexibility moving forward, especially during the initial years of implementing the ESRS standards and the ESRS set 1 XBRL taxonomy, as we anticipate further evolution and enhancement of reporting practices 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.

Q4:

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

Q5a:

Yes, the use of semi-narrative elements, here yes/no Booleans and drop-down enumerations, enriches the narrative information as it can be used to make clear statements and therefore has added value for users and 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:

See answer to 5.

Q6a:

n/a (technical expertise required), no further comment.

Q6b:

n/a (technical expertise required), no further comment.

Q7:

We agree with the approach of minimising the need for XBRL taxonomy extensions in order to reduce the complexity of extensions and increase comparability.

Q8:

The validation rules are appropriate and can help preparers to identify (technical) 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:

We would like to emphasize that the implementation of comprehensive digital tagging within the sustainability report involves a great deal of effort. This entails the installation of appropriate IT tools, allocation of additional resources and costs, and the design of proper processes. In this regard, it's worth recalling the European Commission's current aim to reduce the reporting burden on EU companies by 25% to enhance competitiveness. We recognize the substantial increase in sustainability reporting-related costs, with expectations of further escalation in the short term. Furthermore, we stress the significance of digital interoperability, particularly as our members must adhere to other sustainability reporting frameworks such as the ISSB standards. EFRAG highlights in section 6.12 of the Explanatory Note and Basis for Conclusions how concordance tables could prevent double reporting and/or tagging for preparers. However, EFRAG also acknowledges that these tables cannot be developed until the respective digital taxonomies are completed. Hence, we believe this is a pertinent factor to consider for either postponing or potentially phasing in the implementation of the ESRS set 1 XBRL taxonomy. Additionally, it's crucial to note the numerous technical advancements in AI and the increasing adoption of tools based on this technology by users to analyze and compare sustainability-related data from companies. Therefore, we strongly urge EFRAG to engage with users of the XBRL taxonomy to ascertain if digital tagging remains the optimal

solution in light of the rapid development of AI tools, which could potentially better align with users' objectives.