

Name of the organization: EFFAS e.V.

Type of stakeholder: Preparers

Country: Europe

No comments provided



EFFAS®

The European Federation
of Financial Analysts Societies

EFRAG

35 Square de Meeûs
1000 Brussels
Belgium

Saskia Slomp Saskia.Slomp@efrag.com

cc.

Patrick De Cambourg patrick.decambourg@efrag.org

Hans Buysse hans.buysse@efrag.org

Sophienstraße 44 DE – 60487
Frankfurt am Main, Germany
Direct number: +49 69 98959519
E-mail: office@effas.com
Internet: www.effas.com

Contact: Raquel Zaragoza

8 April 2024

EFFAS's Support Letter for EFRAG's ESRS Set 1 XBRL Taxonomy

Dear Saskia,

Please find below EFFAS's response to the public consultation of the Draft ESRS Set 1 XBRL Taxonomy.

We, as the European Federation of Financial Analysts Associations (EFFAS), representing finance and investment professionals- ("users"), would like to express our support for the efforts EFRAG is putting into the digitisation of corporate reporting, in particular the sustainability reporting under the European Sustainability Reporting Standards (ESRS).

Easily accessible, granular, well-structured corporate reports in a digital format are essential for analysts and investment professionals. Corporate reporting is the primary and most critical source of information for users. We would like to commend EFRAG for the exposure draft of the digital ESRS Set 1 XBRL taxonomy and we support the digital application of sustainability disclosures.

As a starting point, we welcome the development and adoption of the first set of ESRS in 2023. We acknowledge its detailed decision-useful disclosure requirements and related datapoints, as reflected in the draft IG3 (list of datapoints) recently published. Quality and solid data is key for the performance of users' activities and for the comparability between companies and for an appropriate environment it was necessary and much needed.

From a digital standpoint, in our view, the XBRL taxonomy needs to align with the adopted standards and therefore to adequately reflect the ESRS datapoints. It also must provide the same granularity level as expected from human-readable reports prepared based on the standards. A machine-readable digital ESRS report should contain the same granular information as a human-readable PDF or printed report to avoid manual cross-checks and for alignments of the datasets extracted from the reports. **We would like to emphasise that datapoints required under the standards should not be unduly aggregated in digital reporting. This aggregation could imply a risk of delusion and increase the efforts needed to analyse the reports.**



Since narrative disclosures play an important role in the ESRS statements, we suggest EFRAG ensures that those narrative disclosures can be digitally structured as much as possible. Small, dedicated narrative disclosures (i.e., paragraphs) on specific datapoints are more useful than broad disclosures, mixing datapoints within multiple page text-blocks. We believe that the approach EFRAG is proposing for narrative information, by providing detailed qualitative digital datapoints and additional semi-narrative attributes, will foster the accessibility and comparability of information. Moreover, it will reduce the need for error-prone human research and interpretations and warrant that the statements companies provide in the narrative disclosures are properly understood by analysts and investors. Additionally, consistent, and identifiable terminology and well-structured narrative disclosures are generally considered as the basis for machine-learning, which could enable AI-driven analytical capabilities in the future. By and large, we believe that the proposed XBRL taxonomy is aligned with analysts' expectations, as noted above, and expresses our support to the proposed approach.

To facilitate the proper implementation of ESRS to users, we suggest that EFRAG provides additional guidance on how the digital ESRS datasets can be implemented. EFRAG should also provide guidance for preparers to facilitate a smooth digital tagging of the sustainability disclosures from inception. In this respect the assessment of materiality should enable users to focus disclosures and datapoints on those that are decision-useful in relation to material impacts, risks and opportunities under a clear understanding that the absence of tagged disclosure or datapoint means that the related information is not material and can therefore be taken into consideration as such by users.

Although we understand that it is not in EFRAG's scope to decide on the adoption of the digital taxonomy in the context of the European Single Access Point (ESAP), we would like to mention that delays in the implementation of mandatory digital reporting increases the workload for short-term investments in relation to manual extraction processes. Moreover, we would like to encourage corporates to apply digital tagging, even on a voluntary basis, as soon as the final XBRL taxonomy is provided by EFRAG.

If you would like to further discuss the views expressed in this letter, please contact us.

Jesús López Zaballos, EFFAS Chair

EFFAS was established in 1962 as an association for nationally based investment professionals in Europe. Headquartered in Frankfurt am Main, EFFAS comprises 14-member organizations representing more than 16,000 investment professionals.