

Name of the organization: Danish Ministry of Industri, Business and Financial Affairs

Type of stakeholder: National or European authorities/Standard Setters

Country: Denmark

Q1:

With the disclaimer, that dimensions and enumerations are not in the reference linkbase, it is very difficult to review whether the taxonomy is adequate or not. Furthermore the material is very extensive and a comprehensive and detailed review would be very resource demanding. The Danish Ministry of Industry, Business and Financial Affairs has therefore chosen the following method for reviewing whether the proposed taxonomy adequately represents the ESRS set 1: - Review of central concepts, some of the illustrative examples and random parts - Bottom-up evaluation of the simplicity and usability of the taxonomy - Priority of E1 and S1, as this will be most widely applied

We have found that the XBRL taxonomy in general covers the ESRS disclosure requirements, however, we find that some of the choices made are questionable with regard to the need for:

1. Simplicity: to ensure the taxonomy is relatively easy to work with for all parties involved, and thereby supports correct tagging, maintenance, and further development of the taxonomies.
2. Transparency – machine and human readable versions should be identical
3. Comparability of data
4. Validity: data should be verifiable by automatic control

All these elements are essential to keep the added administrative burdens on a minimum and to realise the potential value of standardized, digital reporting. Examples will be given below. Moreover, there are some cases where tagging fields are missing or not separated adequately. We are not able to give a systematic list of these cases, and in order to correct any flaws or mistakes, we recommend a systematic and comprehensive review of the whole material, to be carried out by a group with multi-disciplinary experience covering both financial reporting, iXBRL, auditing as well as sustainability reporting. Examples where tagging fields are missing or not separated adequately include:

ESRS E1, ESRS 2 SBM-3 §19 (b) The disclosure requirement states that: "how and when the resilience analysis has been conducted, including the use of climate scenario analysis as referenced in the Disclosure Requirement related to ESRS 2 IRO-1 and the related application requirement paragraphs;" The XBRL-tags included in the taxonomy for §19(b) are:

- DateOfResilienceAnalysis
- DisclosureOfHowResilienceAnalysisHasBeenConductedExplanatory

Which cover the "how and when the resilience analysis has been conducted" but there is no tag for the second part "including the use of climate scenario analysis"

ESRS E1, ESRS 2 IRO-1 §20 (a) The disclosure requirement states that: "impacts on climate change, in particular, the undertaking's GHG emissions (as required by Disclosure Requirement ESRS E1-6);" The XBRL-tags included in the taxonomy for §20(a) are:

- DescriptionOfProcessInRelationToImpactsOnClimateChangeExplanatory

Which cover the "impacts on climate change" but there is no tag for the second part "...in particular, the undertaking's GHG emissions"

There is no connection in the XBRL-Taxonomy to E1-6. A solution could be to add DescriptionOfProcessInRelationToImpactsOnClimateChangeExplanatory to [301060] E1-6

Q2:

The current design does not ensure Transparency, Usability, Comparability and ease of Validation. Together, this will increase the administrative burdens for all parties, without ensuring quality and value creation. Please see comments below:

1. Monetary concepts should always have a balance attribute and named with a directive label: Even though numeric data are intended only to be positive values, this kind of soft rules tend to be forgotten over time. This is not in the interest of the filling entities, but also not in the interest of users of reported data, who will use data in a narrower reporting scope. The following design rules should always be the case: a) All monetary data

MUST always have a balance attribute. In mature data environments the taxonomy is the metadata of the reported data. For that reason, the balance attribute is not only nice to have, but need to have. b) All labels of numeric data SHOULD, if possible, have a directive label. "Opposite direction" numbers should be included in the labels with a () corresponding with the balance-attribute, if such. Example could be "Profit (loss)" and NOT "Annual result", or "Increase (decrease) in water storage" and NOT "Changes in water storage". Our proposal to always include a balance attribute to monetary concepts and directive labels ensures that data is precise and verifiable. 2. Missing reference in linkbase for XBRL elements such as abstract and domainItemTypes: Because of the high complexity of the standard, it is modelled in XBRL with multiple dimensions. For this reason, many rows, columns, AR, subparagraph etc. are represented in the taxonomy as abstract and domainItemTypes (Explicit dimensions, typedDimensions, members, Extensible Enumerations, etc). To ensure correct tagging (especially from CMS-systems) and data consumption, all XBRL elements descending from the standard should be linked to the reference linkbase when relevant. Eg. "N2OMember", "StationaryCombustionMember", "PollutionOfSoilMember" etc. are missing references in the taxonomy. Linking all XBRL-elements descending from the standard to the reference linkbase when relevant will ensure a higher level of useability and transparency, because this will make it easier for the user to understand and navigate the complex structure of the XBRL-Taxonomy. 3. Hard links between Roles and Hypercubes in the definition Linkbase and Roles used in the presentation linkbase: The sustainability taxonomies are to be used by a wider range of companies, compared to the ESEF/IFRS-taxonomy. In a Danish context, this has been estimated will include 4-5 times as many XBRL-tools for tagging. This estimate is based on the current market for XBRL-tagging of more than 330.000 annual reports in Denmark. From market dialog during our 12 years of mandatory XBRL, we have experienced that to support the implementation in such systems, a hard link between the presentation Linkbase and the definitions of Hypercubes in the definition Linkbase are strongly recommended. We would encourage EFRAG to implement roles used in the Presentation Linkbase in the Definition Linkbase and further link them to the Hypercubes using targetRoles. This creates a cheat hard link between the presentations and the definitions, thereby reducing the implementation cost for local vendors and their customers. This proposal is to increase simplicity and usability while decreasing implementation cost for local vendors. 4. XBRL-IDs should NOT include references to the standard: A lot of XBRL-IDs carry not only a name but also a reference within the ID. This makes the taxonomy less robust as future changes are expected. Such changes will most likely have an effect on the internal numbering of the standard and how DRs and ARs are placed. To ensure robustness in tools for tagging and data consumption, XBRL-IDs should therefore NOT include references to the standard and its internal numbering. Furthermore, references should be avoided in labels, if possible. See [ESRS_Appendix-1].

Q3:

Although we agree to the hierarchy provided in the presentation linkbase, unfortunately we have identified that the hierarchy is not used in a consistent manner. Examples include: ESRS E1, ESRS 2 IRO-1, §20 In ESRS E1, ESRS 2 IRO-1, §20 (b) and (c), where level 3 sub-sub-paragraphs are represented by (i) and (ii) without an option to tag these individually, and with only a tag for the level 2 paragraph. This indicates that elements (i and ii) are either missing or not reused properly in the presentation linkbase from other parts of the taxonomy: Tags in the reference linkbase referring to ESRS E1, ESRS 2 IRO-1 §20 (b) and (c) are: §20 (b): • DescriptionOfProcessInRelationToClimaterelatedPhysicalRisksInOwnOperationsAndAlongUpstreamAndDownstreamValueChainExplanatory §20 (c): • DescriptionOfProcessInRelationToClimaterelatedTransitionRisksAndOpportunitiesInOwnOperationsAndAlongUpstreamAndDownstreamValueChainExplanatory We are aware that for §20(b) the information needed to fulfill the disclosure requirement is outlined in AR11 and for §20(c) the information needed to fulfill the disclosure requirement is outlined in AR12, which means that the

following tags cover the sub-sub-paragraphs: §20 (b) (i): •

IdentificationOfClimaterelatedHazardsAndAssessmentOfExposureAndSensitivityAreInformedByHigh EmissionsClimateScenarios • ShortMediumAndLongTermTimeHorizonsHaveBeenDefined •

ClimaterelatedHazardsHaveBeenIdentifiedOverShortMediumAndLongTermTimeHorizons §20 (b) (ii): •

UndertakingHasScreenedWhetherAssetsAndBusinessActivitiesMayBeExposedToClimaterelatedHazar ds •

ExtentToWhichAssetsAndBusinessActivitiesMayBeExposedAndAreSensitiveToIdentifiedClimaterelate dHazardsHasBeenAssessed §20 (c) (i): •

TransitionEventsHaveBeenIdentifiedOverShortMediumAndLongTermTimeHorizons •

AssetsAndBusinessActivitiesThatAreIncompatibleWithOrNeedSignificantEffortsToBeCompatibleWith TransitionToClimateneutralEconomyHaveBeenIdentified §20 (c) (ii): •

UndertakingHasScreenedWhetherAssetsAndBusinessActivitiesMayBeExposedToTransitionEvents •

ExtentToWhichAssetsAndBusinessActivitiesMayBeExposedAndAreSensitiveToIdentifiedTransitionEve ntsHasBeenAssessed However, these tags are only found under the Application Requirements. For

this reason, we assume that either these should be reused in the presentation linkbase under the Disclosure Requirements or that tags are missing. ESRS E1-2, §25 This Disclosure Requirement states

that: 25) The undertaking shall indicate whether and how its policies address the following areas: a)

climate change mitigation; b) climate change adaptation; c) energy efficiency; d) renewable energy

deployment; and e) other The tags available are: •

SustainabilityMattersAddressedByPolicyForClimateChange There is no separate tag for each of the level 2 disclosures (a – e). This is inconsistent with the methodology paper and the explanatory note.

Under AR 16 to E1-2, it is stated that: "Policies related to either climate change mitigation or climate adaptation may be disclosed separately as their objectives, people involved, actions and resources

needed to implement them are different." There is no XBRL-Tags to do this, neither under the

Disclosure Requirements nor the Application Requirements. ESRS E1-6, §48 The Disclosure Requirement states that: 48) The disclosure on gross Scope 1 GHG emissions required by paragraph

44 (a) shall include: (a) the gross Scope 1 GHG emissions in metric tonnes of CO₂eq; and (b) the

percentage of Scope 1 GHG emissions from regulated emission trading schemes. Only the (b) in

level 2 has a tag available: •

PercentageOfScope1GreenhouseGasEmissionsFromRegulatedEmissionTradingSchemes

Q4:

With the disclaimer regarding our comment about missing reference links in Q2, which makes it difficult to evaluate the reuse of XBRL elements, we have used the reference link in our evaluation.

As a general remark, we would like to highlight that when XBRL-Elements are present for an Application Requirement, the same XBRL element should be reused in the corresponding Disclosure Requirement.

With reference to our answers in Q3, we would like to highlight the same example, where there are no tags available for ESRS E1, ESRS 2 IRO-1, §20 (b) and (c) in the presentation

linkbase. The tags covering the information needed is only shown under the Application

Requirement, so these tags should be reused under the Disclosure Requirement, or new tags should be created in order to follow the methodology of the hierarchy: ESRS E1, ESRS 2 IRO-1, §20 In ESRS

E1, ESRS 2 IRO-1, §20 (b) and (c), where there are level 3 sub-sub-paragraphs represented by (i) and (ii) with no possibility to tag these individually, but only a tag for the level 2 paragraph. This indicates

that elements (i and ii) are either missing or not reused properly in the presentation linkbase from

other parts of the taxonomy: Tags in the presentation linkbase referring to ESRS E1, ESRS 2 IRO-1

§20 (b) and (c) are: §20 (b): •

DescriptionOfProcessInRelationToClimaterelatedPhysicalRisksInOwnOperationsAndAlongUpstreamA ndDownstreamValueChainExplanatory §20 (c): •

DescriptionOfProcessInRelationToClimaterelatedTransitionRisksAndOpportunitiesInOwnOperations

AndAlongUpstreamAndDownstreamValueChainExplanatory We are aware that for §20(b), the information needed to fulfill the disclosure requirement is outlined in AR11 and for §20(c) the information needed to fulfill the disclosure requirement is outlined in AR12, which means that the following tags cover the sub-sub-paragraphs: §20 (b) (i): • #1127 IdentificationOfClimaterelatedHazardsAndAssessmentOfExposureAndSensitivityAreInformedByHigh EmissionsClimateScenarios • #1137 ShortMediumAndLongTermTimeHorizonsHaveBeenDefined • ClimaterelatedHazardsHaveBeenIdentifiedOverShortMediumAndLongTermTimeHorizons §20 (b) (ii): • UndertakingHasScreenedWhetherAssetsAndBusinessActivitiesMayBeExposedToClimaterelatedHazar ds • ExtentToWhichAssetsAndBusinessActivitiesMayBeExposedAndAreSensitiveToIdentifiedClimaterelate dHazardsHasBeenAssessed §20 (c) (i): • TransitionEventsHaveBeenIdentifiedOverShortMediumAndLongTermTimeHorizons • AssetsAndBusinessActivitiesThatAreIncompatibleWithOrNeedSignificantEffortsToBeCompatibleWith TransitionToClimateneutralEconomyHaveBeenIdentified §20 (c) (ii): • UndertakingHasScreenedWhetherAssetsAndBusinessActivitiesMayBeExposedToTransitionEvents • ExtentToWhichAssetsAndBusinessActivitiesMayBeExposedAndAreSensitiveToIdentifiedTransitionEve ntsHasBeenAssessed AR 7 (b) under E1 ESRS 2 SBM-3: Under AR 7 (b) to E1 the following tag is found: • TimeHorizonsAppliedForResilienceAnalysis This tag should be reused under ESRS E1, ESRS 2 SBM-3 §19 (b) where this tag is missing. AR 43 (c) under E1-6: Under AR 43 (c) to E1-6, the following tag is found: • BiogenicEmissionsOfCO2FromCombustionOrBiodegradationOfBiomassNotIncludedInScope1GHGEmi ssions This tag should be reused under ESRS E1-6, §48 (a) where this tag is missing. However, these tags are only found under the Application Requirements. For this reason, we assume that either these should be reused in the presentation linkbase under the Disclosure Requirements or that tags are missing.

Q5a:

We are concerned for the extensive use of "Extensible Enumeration 2.0". The implementation makes the data more complex for users, as it is not immediately comparable and verifiable. The use of hidden elements could result in situations where the human-readable data is not a faithful representation of the machine-readable data. Please see comments below. 1. "Extensible Enumerations 2.0." lead to differences between machine readable data and human readable data: The extensive use of "Extensible Enumerations 2.0" leave the filling companies with no other option than an extensive use of hidden elements in the InlineXBRL-document. Hidden elements should be avoided as they lead to differences between machine-readable data and the information that is human-readable. This could both be a source for mistakes and the potential lack of assured consistency could create additional administrative burdens in the reporting and audit processes.

Q5b:

In general we support the use of booleanItemType for tagging of positive and negative confirmations.

Q6a:

The current design does not ensure Transparency, Ease of use, Comparability and ease of Validation. Please see comments below. 1. No structure for reporting Consolidated and separate statements in same report: In the concept "BasisForPreparationOfSustainabilityStatement" the taxonomy allows

the reporting entity to tag whether the report holds Individual or Consolidated data. We expect that in some cases the mother company's data will be significantly different from the Consolidated data and reporting of both data sets in the same annual report would be needed. Even though this can be handled by the use of "open hypercubes" we would suggest that a common hypercube added to all Roles, holding the following elements: "Consolidated and separate financial statements [axis]", "Consolidated [member]" (default), "Individual [member]". Optionally copy the structure in ESEF Definition Linkbase Role [913000]. This approach will increase the comparability of data as well as increase the simplicity for users by standardizing the way this type of data is reported. 2. TypedDimension without corresponding concept for the name of the dimension. Typed dimensions in XBRL are dimensions that can have any value defined by the user. These dimensions allow users to create their own set of elements within the taxonomy, instead of being limited to a pre-defined set like in explicit dimensions. The Danish Business Authority strongly support the use of TypedDimensions. To ensure that these values are easy useable for data consumers, the human-readable value must be represented in the taxonomy with a corresponding concept for the name of the dimension. In addition to this the XBRL-label of TypedDimensions should always start with "Identifier of", e.g., "Identifier of policy [typed axis]". TypedDimensions used in the PresentationLinkbase of the taxonomy are listed in [ESRS_Appendix-2] This approach will increase transparency and simplicity of the taxonomy. 3. Where a taxonomy makes use of dimensions, all concepts should be associated with at least one hypercube: To bring the taxonomy aligned with XBRL Internationals recommendations regarding the use of dimensions in taxonomies, all concepts should be associated with at least one hypercube. We would recommend EFRAG adding a common hypercube to all Roles in both the Presentation- and Definitions Linkbase, holding the following dimension: "Consolidated and separate financial statements [axis]", "Consolidated [member]" (as default member), "Individual [member]". This approach will increase transparency and simplicity by improve the uniformity and structure of the taxonomy. This will make it easier for the users to navigate and understand the data. 4. Missing default member on dimension: "Type of waste treatment [axis]": A Default member in a dimension is a domain member that provides a default value for a dimension for facts in with the dimension is not reported explicitly. The dimension default typically represents the total of all members for that dimension. The dimension Type of waste treatment [axis] (esrs:TypeOfWasteTreatmentAxis) has no such default member. We recommend that the default member is set to "TypeOfWasteTreatmentMember" in Role [900000] "Dimension Default" (<https://xbrl.efrag.org/taxonomy/role-dim>).

Q6b:

We recommend following the recommendations from XBRL International, please see our comments below: 1. Open Hypercubes should be closed: To bring the taxonomy aligned with XBRL Internationals recommendations regarding the use of dimensions in taxonomies (XBRL, Section 3.5: <https://www.xbrl.org/WGN/dimensions-use/WGN-2015-03-25/dimensions-use-WGN-2015-03-25.html#sec-open-hypercube-recommendation>), all hypercubes should be closed. Open would allow the following errors from fillers (samples from EFRAG own test instance "ESRS E5"): a) Allow fillers to add any nonsense combination of dimension and member (including members intended for "Extensible Enumerations 2.0") to any hypercubes. E.g. this would be added in sample to context "c-10": < xbrldi:explicitMember dimension="esrs:BasisForPreparationOfSustainabilityStatementAxis"> esrs:Category6BusinessTravelMember< /xbrldi:explicitMember> b) Allow fillers to replace any member with another member in any dimension (including members intended for "Extensible Enumerations 2.0") to any hypercubes. E.g. this would be replaced in sample in context "c-17": < xbrldi:explicitMember dimension="esrs:TypeOfRecoveryOperationsAxis"> esrs:Category6BusinessTravelMember< /xbrldi:explicitMember> We recommend this approach to ensure validity and simplicity, as closed hypercubes will ensure more error free and precise data.

Open hypercubes allow for a high degree of flexibility, but this can also lead to an undesirable increase in the level of errors.

Q7:

We agree with the approach to minimize the need for XBRL extensions.

Q8:

We find the validation rules implemented in the Draft ESRS XBRL Taxonomy for appropriate. However, if this is not already in the scope for future additions, we would like to propose a validation rule that either gives a "warning" or an "error" if the undertaking has deemed ESRS E1 as "not-material" but there is no tag found for the information required by paragraph 32 of ESRS 1. According to paragraph 32 of ESRS 1, if the undertaking has deemed "E1 – Climate Change" as "not-material", it shall give a detailed description of its conclusions in the materiality assessment regarding climate change and a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future. According to paragraph 56 of ESRS 2 the undertaking shall provide a list of Disclosure Requirements included in the sustainability statement (e.g., as an index) If the undertaking has tagged "E1 – Climate Change" as "not-material" by using the "xsi:nil" fact value or by not having tagged any Disclosure Requirements under "E1 – Climate Change" in the list provided under paragraph 56 of ESRS 2, and at the same time has no tags for the information required by paragraph 32 of ESRS 1, there should be an "Error" or "Warning" message as this indicates that the information needed when "E1 – Climate Change" is deemed not material is not provided.

Q9:

Please refer to the attached letter from the Danish Government.

Danish response to the proposed XBRL-taxonomies

The Danish Government supports the common European efforts towards standardised sustainability reporting and welcomes XBRL-taxonomies for this purpose. Standardised sustainability reporting is vital in order to provide a well-functioning market where valid and comparable sustainability data are transparent in order to make informed decisions and investments. But it is of utmost importance to keep in mind that the taxonomy must not become too complex and burdensome for European businesses, or we run the risk of finite resources being used on compliance rather than the green transition the taxonomy is supposed to help facilitate.

Consequently, the Danish Government wants to stress the importance of starting out with a simple, transparent and user-friendly taxonomy, considering companies' administrative burdens, as well as ensuring focus on reliable data.

The Danish Government is concerned about some approaches used by EF-RAG, which has resulted in an overall design that:

- Uses complex technical solutions that might result in redundant or adverse features, without the prerequisite skills available among affected stakeholders, rather than starting simple and adding complexity in line with a maturing market. Moreover, the XBRL-competencies are limited, which increase the risk of disproportionate costs for the businesses;
- Risks creating mismatches between the machine-readable and human-readable versions of reports, damaging trust, validity, comparability and opportunities for controlling data, both internally in corporations, audit and government control. This directly contradicts the XBRL-strategy in Denmark, as well as in other European countries, where the machine-readable and human-readable versions of reports must converge.

Keep it simple and structured

Denmark has been an international frontrunner on the application of XBRL for annual reports. Previous successful XBRL-implementations have shown that good practice is to keep it simple. In order to assure that the human-readable and the machine-readable data are the same, European Single Electronic Format (ESEF) mandates the use of the ESEF-guidelines, which encompass inline-XBRL.

It is tempting to ensure a high degree of flexibility for the reporters, which EFRAG has enabled. However, the purpose of standards – both sustainability standards, ESEF and taxonomies – are to ensure transparency in the market supported by comparable, structured data.

In our experience, XBRL-technology should ideally gradually evolve together with market developments, as well as developments of standards and/or legal requirements. There are many XBRL-stakeholders directly or indirectly involved in the process of compiling and using the reports, meaning a successful transformation is dependent on stakeholders being able to use the taxonomy correctly.

The general European expertise in XBRL is relatively limited, so it is also necessary to ensure there are capabilities available to support the implementation of the XBRL taxonomies.

An overly complex XBRL-taxonomy may have two major unintentional consequences. First, it will increase the financial, and hence administrative burden for the affected companies – and the increase may be substantial. In our view, it is crucial to a successful green transition that companies focus on investing in sustainability, rather than locking in resources in compliance due to unnecessarily complicated technical requirements.

Secondly, an overly complex taxonomy risk compromising the quality and usability of the sustainability data, and thus the complexity may be counterproductive to the overall goal.

The transformation towards a more sustainable Europe is a long-term process where sustainability reporting will be implemented gradually. It is desirable that the XBRL-taxonomies are designed in a way that is less complex and less flexible, with a clear focus on the reliability and validity of the data. This is essential to have comparable sustainability data, at least in the initial stages of sustainability reporting.

For these reasons, the Danish Government is very sceptical towards supporting the proposed XBRL taxonomies from EFRAG regarding Article 8 and ESRS, unless further technical simplifications are made.