

Name of the organization: DSSC under Danish NFM

Type of stakeholder: National or European authorities/Standard Setters

Country: Denmark

Q1:

Yes. However, please note that we have not conducted a full in-detail analysis of the digital taxonomy given the short comment period colliding with the reporting season.

Q2:

We appreciate that EFRAG has been requested to provide a Draft XBRL Taxonomy that includes the lowest/most detailed level of information in the ESRS Set 1 standards in case the reporting entities finds it necessary or helpful to provide detailed tagging beyond the level of tagging mandated on European level. We furthermore note that digitalization could help preparers to better structure their sustainability reports and that users should benefit for the digital tagging as they will be able to ex-tract and use the ESRS data more easily. Overall, we see a great potential in easy access to digital readable sustainability data, hence we support digital reporting of sustainability information. Having said this, we believe, that if the EU Commission and ESMA decides to re-quire reporting at such a detailed level as outlined in the draft XBRL taxonomy this will drive an unnecessary complexity and possibly provide information that will not be comparable between entities. This lack of comparability will for instance be the case in tables where there is no request for detailed data from primary users such as investors, lenders etc. and lack of uniform definition of dimensions/descriptions for site locations. We therefore suggest, that EFRAG recommend to the EU Commission and ESMA to require XBRL tagging at a fairly high level and defined in the in-dividual ESRS DRs, however including datapoint required by SFDR, CRR Pillar III etc. We also recommend that a transitional approach should be taken, allowing for key learnings and benefits before adding further levels of granularity to the mandatory tagging. · In early years we don't believe that additional detailed information, e.g. by location, not requested by primary users, cf. above will be relevant and useful for users in general as separate digital elements, as these will not be comparable and therefore not relevant for aggregation or analysis. We suggest that EFRAG identifies specific needs for location or activity data due to specific reporting needs based on other EU legislation for the financial sector where these information's are not part of the art. 8 reporting (for instance due to issuance of green bonds) Allowing for a number of reporting cycles will allow for key learnings and also al-low for the possibility of AI supported data extractions of the relevant location data for the individual users. We thus encourage a review after 3 reporting cycles in order to be able to benefit from the first experiences, including the experiences with the ESAP data gate-way. · Similarly, we suggest, EFRAG to recommend, that contextual (qualitative) in-formation is tagged in blocks containing the entire explanation. Individual phrases or datapoints in the block should not be tagged (e.g. an increase of x%), as these cannot be aggregated by users for their own reporting or used for analysis. Users will anyway be able to search through text to identify phrases and companies that should be assessed further. Tagging of information at lowest level may provide datapoints that are – when extracted individually – out of context and therefore less relevant or even mis-leading as stand-alone information. One of the aims of the ESRS-approach is for instance the holistic approach, where the context of a specific information is essential. Consideration should therefore be made when tagging is required in every detail to avoid misleading information or (as above) drive disproportionate effort and cost vs. usefulness and benefit. · Having seen the first reports trying to align with the upcoming ESRS reporting requirements, we can already now begin to see the complexity of providing the tagging at the granular level in the draft XBRL taxonomy. We encourage EFRAG and/or ESMA to

conduct a workshop where several reports from different jurisdictions, including reports conducted under the diverse, European reporting traditions is tagged on a test basis. We would be happy to propose a few Danish entities that are already now trying to align their reporting with the ESRS-reporting and where we can see the challenges of tagging the reporting and thus allow for a better assessment of whether the burden and the cost of tagging in such details will be proportionate to the usefulness thereof. This exercise would also provide useful information on whether the current structure of the taxonomy is appropriate and supports both the use/consumption of the sustainability data and the ease and relevance of the actual tagging in combination with for instance AI. At the end of the day, we believe such field tests are essential for cost-benefit analysis to be conducted. · It should be noted that the taxonomy should include the details for preparers to be able to use these already early on for areas where it might be relevant. We therefore do not challenge the need for EFRAG to prepare a detailed XBRL-taxonomy allowing for detailed tagging if needed and beneficial as this should drive consistency.

Q5a:

The draft taxonomy introduces Booleans (yes/no) for a number of statements. We believe that the Booleans increase the reporting requirements and change them from being an explanation, e.g. of stakeholder engagement, to be a binary confirmation. Consequently, there will be a difference between the human readable and the digitally tagged version of the reporting. We believe that this goes beyond the requirements in ESRS and recommend, that Booleans should generally not be used beyond very trivial questions. It should be noted that an explanation of whether an entity has a policy in place would not always be answered with a Y/N, as a policy could be in place only covering part of the area. A Y/N would therefore either indicate that a policy covering everything is in place or -alternatively – that there is no policy in place. Both a "Y-" and a "N"-answer would be wrong. The tagging should therefore cover the explanatory text of the policy or of the fact that nothing is in place. Similarly, we are concerned about enumerations / drop downs where the taxonomy may pose restrictions or choices in terms of categories that are not required (or limit) the reporting compared to the ESRS-standards. The XBRL-tagging should be based on the information provided in the human readable format and not restrict the human readable format.

Q5b:

The draft taxonomy introduces Booleans (yes/no) for a number of statements. We believe that the Booleans increase the reporting requirements and change them from being an explanation, e.g. of stakeholder engagement, to be a binary confirmation. Consequently, there will be a difference between the human readable and the digitally tagged version of the reporting. We believe that this goes beyond the requirements in ESRS and recommend, that Booleans should generally not be used beyond very trivial questions. It should be noted that an explanation of whether an entity has a policy in place would not always be answered with a Y/N, as a policy could be in place only covering part of the area. A Y/N would therefore either indicate that a policy covering everything is in place or -alternatively – that there is no policy in place. Both a "Y-" and a "N"-answer would be wrong. The tagging should therefore cover the explanatory text of the policy or of the fact that nothing is in place. Similarly, we are concerned about enumerations / drop downs where the taxonomy may pose restrictions or choices in terms of categories that are not required (or limit) the reporting compared to the ESRS-standards. The XBRL-tagging should be based on the information provided in the human readable format and not restrict the human readable format.

Q6b:

EFRAG has chosen to use so-called open hypercubes which allows for multiple dimensions in the tagging of each individual datapoint. This also allows for combinations by error of elements that are not relevant (e.g. CO2 emission by gender). With the complexity and number of dimensions in the sustainability report we however believe that this is a relevant choice, but, c.f. above, suggest a gradual increase in required details and number of items to be combined. We have considered whether it would be beneficial to lock certain dimension. If certain dimensions are "locked", then we do understand the benefit in terms of consistency, but on the other hand we face the risk of not having enough dimensions. Thus, we do not believe that we can always "lock" certain dimensions. Hence, we support the approach taken as this allows a reporting entity to consistently use a sustainability matter, location, business segment or other entity-specific dimension consistently through-out the tagging but underline the fact that appropriate guidance is needed.

Q7:

Yes, we support the approach that minimises the need for XBRL taxonomy extensions. Having said this, we believe that separating for instance resources in a separate tagged information block does not make sense as the information is only relevant in connection with the policies, actions, and targets. Hence, we find it difficult to separate these types of information in separate XBRL-tags as they only provide meaningful information when seen together. Furthermore, the same topic may be both a risk and an opportunity both at entity-level, but also on broader reporting level. Therefore, the context is necessary to ensure meaningful information.

Q8:

We believe that the solution should include validations on all relevant combinations of information. The validations should, however, only be "soft validations" and thereby not prevent the entity from submitting the report when there is a validation error. Many validation errors could be due to a company unique situation (acquisition/disposal of other entities, restructurings etc.). The number validations errors, types of errors, areas etc. should be evaluated after 3 years of reporting; and based thereon it should be considered which validations could be changed to hard validations.

Q9:

References to the financial reporting: ESRS requires certain references to or additional specifications of financial data and assumes that the financial data are those as reported under IFRS or local GAAP as applicable for the reporting entity. We therefore suggest that the wording in the taxonomy is neutral in terms of reference to financial GAAP used or alternatively explicitly explains the relevant taxonomies (including local GAAP) that can be used when referring to financial data already tagged under the appropriate GAAP in order to avoid duplication of data. The taxonomy should furthermore allow for interoperability between the sustainability report and the financial statements independently of this being according to IFRS or local GAAP. It should be noted, that any additional specification of financial information, e.g. dis-aggregation of revenue or cost groups, should be considered part of the sustainability report and thereby covered by the practitioners limited assurance report – and not be part of the financial statements and thereby part of the audit opinion, except if the entity voluntarily decides to include it as part of the financial statements. We note that this is thus a choice between a fully stand-alone ESRS taxonomy and a taxonomy that depends on the financial reporting taxonomy used. We believe EFRAG needs to consider how to best ensure the interoperability while keeping the ESRS taxonomy as intact as possible.

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35 Square de Meeüs
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TIAG/KKO

DK DSSC under NFM comments on EFRAG XBRL draft taxonomy

The DSSC under the Danish National Funding Mechanism (DK NFM) welcomes the opportunity to comment on the XBRL draft taxonomy.

DK NFM supports the efforts of EFRAG to prepare a draft XBRL taxonomy that will underpin the digital reporting of the sustainability statements following the ESRS standards.

As a general comment, we are very concerned about the timing of the XBRL taxonomy and believe that a fully updated timeline, including the steps and timing of the ESMA and EU-Commission consultations needs to be published as soon as possible. This is due to the fact that a number of users, including the financial sector, need digital reporting of key data in order to be able to meet their own reporting requirements. They therefore need guidance on how to bridge the gap between the digital reporting of sustainability data (including the absence of the ESAP portal) and their own reporting obligations. Furthermore, preparers of the sustainability reporting need to understand the timelines to plan for their own reporting cycles. We therefore encourage EFRAG to ensure a joint statement of the timeline of the digital reporting together with ESMA and the EU-Commission.

We would also like EFRAG to further explore the consumption of the digital data, including whether AI in combination with a less detailed tagging of for instance policies and actions would provide for a more efficient reporting. It is our understanding that this combination would increase the accuracy and usability of the reporting and be more cost-efficient. It would also encourage the holistic approach underpinning the ESRS reporting where impacts in one area should not be seen in isolation. We therefore also encourage EFRAG and/or ESMA to include these alternatives in the cost-benefit analysis we expect to be conducted.

We have provided more detailed input to a number of elements in the questionnaire, including in particular comments regarding:

- the level of granularity
- use of Booleans

- use of open hypercubes
- use of validations
- reference to financial reporting taxonomies

Kind regards,
The Danish Funding Mechanism

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