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ESRS Set 1 Draft XBRL Taxonomy Summary of public feedback

Objective of the document

1. The aim of this session is to provide EFRAG SR TEG with a summary of the comments received in the course of the public consultation on the ESRS Set 1 Draft XBRL Taxonomy.

Structure of the paper

2. This comment letter analysis contains:
 - (a) Background;
 - (b) Summary of public comments;
 - (c) Next steps;
 - (d) Question for EFRAG SR TEG;

Background

3. The EFRAG Secretariat developed the digital XBRL Taxonomy to enable the digital tagging of sustainability statements as mandated by the CSRD. The ESRS digital taxonomy reflects the human-readable version of the ESRS and has been developed according to the methodology and architecture approved by EFRAG SRB on 26 April 2023¹.
4. On 10 January 2024, EFRAG SRB approved the issue of the ESRS Set 1 Draft XBRL Taxonomy for public comment. The public consultation began on 8 February 2024 and lasted until 8 April 2024. The consultation questionnaire can be found here: <https://xbrl.efrag.org/downloads/Draft-ESRS-Set1-XBRL-Taxonomy-Consultation-Questionnaire.pdf>. The draft XBRL Taxonomy was accompanied by an Explanatory Note and two non-authoritative guidance documents (taxonomy illustrated in Excel and Illustrative examples of tagged XBRL reports).
5. The final XBRL taxonomy will be handed over to ESMA and the EC after the SRB approach in Q3 2024 (see next steps below).

Summary of public comments

6. A total of 49 complete responses were received in the course of the public consultation.
7. The following table reports the distribution of the responses by type of stakeholder and country.

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<https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2303221128397656%2F03-02%20-%20Draft%20ESRS%20XBRL%20Taxonomy%20Architecture%20and%20Methodology%20-%20Issues%20Paper.pdf>

	America	Asia	Austria	Belgium	Denmark	Estonia	Europe	France	Germany	Italy	Netherlands	Spain	Sweden	UK	Total
Assurance provider			1	1			1	1	2						6
Consultant		1					2	1	1	1		1			7
Standard setter				1	2	1		1	1		1				7
Preparer				1			2	3	3			2			11
Software vendor	1							1	1	2					5
User	2						1	1							4
XBRL expert	1			1									2	2	6
Other								1	1			1			3
Total	4	1	1	4	2	1	6	9	9	3	1	4	2	2	49

8. Most responses were provided from France and Germany and by preparers.

9. Not all respondents answered all the 10 questions in the public consultation. The following table reports the completion rates.

Completion rates	Q1	Q2	Q3	Q4	Q5a	Q5b	Q6a	Q6b	Q7	Q8
Responded	84%	67%	76%	73%	76%	71%	45%	47%	69%	80%
Skipped	16%	33%	24%	27%	24%	29%	55%	53%	31%	20%

10. Questions Q6a and Q6b were often skipped as they were explicitly marked as “experts only”. Q2 was also often skipped as it related to the alignment of the taxonomy to the needs of the users (analysts, data providers, etc.). Many respondents skipped this question explaining that they were not users and could therefore not assess this. Nonetheless, all the respondents representing users did indeed respond positively to this question.

11. All the 10 questions were dichotomous. The following table reports the responses provided.

Responses	Q1	Q2	Q3	Q4	Q5a	Q5b	Q6a	Q6b	Q7	Q8
Yes	85%	76%	84%	89%	81%	77%	77%	61%	91%	82%
No	15%	24%	16%	11%	19%	23%	23%	39%	9%	18%

12. The most controversial question was Q6b, which relates to the implementation of optional disaggregation by means of open hypercubes. This is a particularly technical question that addresses how the combination of disaggregation with XBRL dimensions (e.g. countries, GHG types, subsidiaries) could be implemented in the XBRL taxonomy (summary of the responses below).

13. The EFRAG Secretariat separated the unique comments submitted in the text fields provided in the questionnaire or in attached comment letters, and identified 403 unique comments, related to specific subjects or XBRL elements. Additionally, some respondents provided Excel spreadsheets with detailed proposal on individual XBRL elements or their attributes and labels.

Two respondents provided detailed proposals on a specific E2 Pollution related disclosure requirement.

14. Furthermore, the EFRAG Secretariat classified the 403 comments received based on their subject and based on whether or not they require a further analysis and potentially an amendment of the XBRL taxonomy (classified as “Further analysis required”). Comments only providing appreciative feedback or simply stating objective facts have been classified as not requiring any further analysis. The following table reports a summary of such a categorization.

	Not EFRAG’s responsibility	No further analysis required	Further analysis required	Total
Methodology		22	32	54
Semi-narrative		13	41	54
Dimensional modelling and MDRs		13	35	48
Validation rules		4	36	40
Narrative tagging hierarchy		8	23	31
Avoidance of extensions		8	16	24
Specific elements			21	21
Accompanying materials			20	20
Open hypercubes		1	10	11
Interoperability		2	8	10
References			6	6
Incorporation by reference		1	4	5
Connectivity			4	4
Other		8	24	32
Out of scope	35	8		43
Total	35	88	280	408

15. Most of the comments relate to the adopted methodology, to the use of semi-narrative elements, and to dimensional modelling and the implementation of MDRs, all of which are central features of the XBRL taxonomy.

16. Most of the comments (280) actually point out specific issues or propose potential changes or improvements to the XBRL taxonomy, which will require detailed analyses by the EFRAG Secretariat.

17. Most of the other 88 comments not requiring any further analysis relate to the use of semi-narrative elements and the dimensional modelling and implementation of MDRs. These latter were mainly appreciative or general comments. Some comments even included methodological or content-related questions.

18. The remaining 35 comments in the category “Out of scope” pertain mainly potential tagging rules or phase-in provisions which, however, are not in EFRAG’s remit.

19. Hereinafter, the main comments providing suggestions for potential changes or improvements in the XBRL taxonomy are summarized.

Methodology

20. The methodology based on which the ESRS Set 1 XBRL Taxonomy has been developed, i.e. a one-to-one correspondence between the taxonomy elements and the paragraphs, sub-paragraphs and sub-sub-paragraphs in the ESRS, has been generally well perceived. 85% of the respondents answered positively to question Q1, i.e. that the ESRS Set 1 Draft XBRL Taxonomy adequately reflects the ESRS.
21. Several respondents however, pointed out that this methodology seems to rather favour users of the XBRL data at the expenses of preparers. The granularity of the XBRL taxonomy, they argue, would present an excessive burden for preparers having to tag their sustainability statement.
22. Another point raised was that most preparers would draft their sustainability statement not following the structure of the standard, but rather based on design or narrative considerations. The architecture of the XBRL taxonomy would therefore result problematic when having to tag such sustainability statements, or would restrict the preparers' freedom with regards the structure of their report.
23. A further remark raised by one respondent with regards to the methodology was that users of digital sustainability statement should not benefit from additional information not available to users of human-readable reports. For example, the linking of MDRs, or the use of Boolean elements they argue, would provide additional value to the digital report, not included in the human-readable one. Since those matters are mainly related to the tagging rules which will be defined by ESMA, those comments are however not to be considered strictly related to the taxonomy.
24. Other comments provided on the methodology include:
- (a) One respondent pointed out that the current structure of the XBRL taxonomy does not differentiate between “shall” and “may” elements, which, they argue, would be a useful distinction (as the IG 3 Datapoint list does).
 - (b) One respondent argued that the different architecture of the current draft ESRS XBRL Taxonomy (and the draft Article 8 Taxonomy), and the current ESEF Taxonomy could pose challenges to preparers. The potential different interpretations arising from such divergences, they argue, could potentially be detrimental to the quality of the data reported.
 - (c) One respondent argued that the element labels (the human readable names of the XBRL elements) are unnecessarily detailed.

Semi-narrative elements

25. Semi-narrative elements, such as Booleans and enumerations, have been included in the XBRL taxonomy to enrich narrative disclosures. These elements seem to be particularly useful for users, as reported in Appendix 2 of the Explanatory Note and Basis for Conclusions². The public feedback received confirms their usefulness, as the vast majority agreed to questions 5a and b.
26. The main remark was that the values to be assigned to Boolean elements are often not clear, especially when the ESRS allow for “shades of grey”, and require additional documentation with regards to their meaning. For example, if a Boolean should only be set as true when the answer is 100% yes, or if 51% suffices.

² <https://xbrl.efrag.org/downloads/Draft-ESRS-Set1-XBRL-Taxonomy-Explanatory-Note-and-Basis-for-Conclusions.pdf>

27. Further comments relate to the formulation of the labels, which should be amended, especially when negatively formulated. For example, in the case of the element “Policies and (or) actions have not been adopted”, both values could be disclosed such as “Yes, policies have not been adopted” as well as “No, policies have not been adopted”.

28. Other comments provided with regards to semi-narrative elements include:

(a) One respondent was concerned that the use of the *ix-hidden* mechanism in the tagged illustrative reports to convey the Boolean true/false value together with a human-readable sentence, could lead to differences between the machine-readable and the human-readable format and, according to them, this could become a potential source of mistakes. However, the decision of using the *ix-hidden* functionality to hide technical values in the human readable Inline XBRL needs to be taken by ESMA when implementing the tagging rule and has no impact on the taxonomy itself.

(b) One respondent pointed out that in some cases, enumeration elements have been introduced where the ESRS merely provided some options, thereby limiting the possibility of the preparer to add other, not specified, values.

Dimensional modelling and MDRs

29. The Draft ESRS Set 1 XBRL Taxonomy provides a number of explicit and typed dimensions for the disaggregation of digital disclosures. Those dimensions can be used to tag IROs as well as PATs as per ESRS 2 (see section 6.6. of the Explanatory Note and Basis for Conclusions). This approach has been well perceived by the respondents.

30. Nonetheless, the implementation of the linking between MDRs is generally deemed rather complex and several respondents requested additional guidance on this point.

31. One preparer pointed out that the disaggregation of Impacts, Risks and Opportunities (IROs) with a typed dimension should be consistent with the IG 1 Materiality Assessment, which allows the grouping of IROs.

32. Some respondents representing software vendors reported concerns that this architecture may require modifications to their products (tools) to be accommodated.

33. The use of *xsi:nil* in typed dimensions that are not applicable to the reporting entity, seems to be rather controversial. Several respondents argued that this could easily be misinterpreted by both users and preparers.

34. Several respondents proposed to split the dimension “Name or identifier of [...]” into two separate ones, one for name and one for identifier, in order to improve the linking mechanisms.

Open hypercubes

35. In order to allow for optional disaggregation, a very specific technical solution had to be implemented. Open hypercubes, even though still rather controversial, allow such optional disaggregation, and have therefore been implemented in the XBRL Taxonomy.

36. Respondents, even though recognizing the necessity for optional disaggregation, generally deemed this feature too complex, thereby negatively impacting the data reported in such a manner. A proposal that closed hypercubes could be used, or that an *optionalDimension* ArcRole as discussed in the Explanatory Note and Basis for Conclusions could be used in combination with open hypercubes has been made.

Narrative tagging hierarchy

37. The XBRL Taxonomy has implemented a hierarchy of XBRL elements, grouping and structuring the disclosure requirements and datapoints into a tree, as described in section 6.5. of the Explanatory Note and Basis for Conclusions.
38. In general, the decision to structure the XBRL taxonomy based on a hierarchy has not been criticized. Nonetheless, several respondents reported their concerns on the excessive granularity of the Level 3 narrative disclosures. According to them, these disclosures based on granular datapoints are too detailed and it would therefore be a burden for preparers to tag their reports with such granularity. Nonetheless this level of detail is actually mandated by the ESRS. When reviewing the comments related to the granularity, it was not always clear if the comment addresses the ESRS itself, or the XBRL taxonomy.
39. Moreover, three respondents (standard setters and XBRL expert) argued that Level 3 disclosures are also of limited use to users of the data as, according to them, they lack context and must be consumed in conjunction with other elements.
40. Notwithstanding the fact that the implemented approach to avoid overlapping tags by reusing XBRL elements wherever possible, as explained in section A1.3. of the Explanatory Note and Basis for Conclusions, has been widely appreciated, some respondents argued that the simultaneous tagging of multiple levels of disclosures would be an “unnecessary duplication of information”. This is in line with the assumption that has been made in the Explanatory Note, that it is not necessary to tag all levels in the hierarchy: whenever a granular narrative disclosure is tagged, the parent tags do not need to be tagged as well. Several respondents however, recognized the importance of Level 1 narrative tags.
41. Moreover, the fact that the narrative tagging hierarchy is only comprised of three levels (related to the paragraphs, sub-paragraphs and clauses), whereas in Annex 1: Draft ESRS Set 1 XBRL Taxonomy illustrated in Excel³, the levels included in column A go until nine (including non-reportable abstract elements, only used for structuring the taxonomy), was cause of confusion.

Avoidance of taxonomy extensions

42. The XBRL Taxonomy, through the use of typed dimensions and “Other” elements, reduces the need for highly complex and error-prone taxonomy extensions. Respondents broadly supported this approach to minimize extensions.
43. Some respondents nonetheless, proposed to allow a limited use of taxonomy extensions as, they argue, they would allow preparers to have more control in their presentation and could provide additional information.

Validation rules

44. The Draft ESRS Set 1 XBRL Taxonomy comes with three validation rules that can be evaluated in ESRS XBRL reports (see section 6.8. of the Explanatory Note and Basis for Conclusions). Validation rules increase the completeness and quality of the reported data. The introduction of such validation rules has been well perceived.
45. The general impression with regards to the less severe validation rules (WARNINGS and INFORMATION) was that an excessive number of warnings could pose the risk of being seen as potentially problematic for the preparer. Too many validation warnings could potentially be cause of confusion and lead preparers to overlook ERROR messages. Some respondents suggested adding the possibility to turn such warning messages off.

³ <https://xbrl.efrag.org/downloads/Annex-1-Draft-ESRS-Set1-XBRL-Taxonomy-illustrated-in-Excel.xlsx>

46. One respondent suggested caution with regards to the highest severity validation rule (ERRORs), especially with regards to alternative metrics, i.e., when the ESRS allow for alternatives between e.g., average or year-end metrics, or the use of the GHG Protocol or ISO 14064-1 when accounting for Scope 3 emission.
47. Several respondents suggested adding more validation rules, for example for inconsistent data (where the same information is disclosed across the report multiple times), for consistency with expected values (positive/negative values), or for a cross-validation of certain facts with financial reporting.

Accompanying material

48. Accompanying the XBRL Taxonomy, the EFRAG Secretariat prepared illustrative examples of XBRL reports, in order to illustrate how the tagging should be implemented. Those materials were provided as non-authoritative illustrations, helping the respondents to provide a better-informed consultation response. The illustrative reports have generally been well perceived, with only minor remarks. Some respondents suggested that actual disclosures would be more useful than mere placeholder text.
49. Some respondents pointed out that, in the excel presentation of the taxonomy, the narrative tagging hierarchy with Levels 1-3, was not clearly represented, since in that file the levels included in column A go until nine (including non-reportable abstract elements).
50. Several respondents expressed the need for further guidance for preparers, especially with regards to how the tagging should be implemented.

Other comments

51. Other comments received include:

- (a) Several respondents remarked the crucial role of interoperability also in the digital context.
- (b) With regards to the interoperability with financial reporting, some respondents suggested re-using taxonomy elements from the financial reporting taxonomy instead of including them again. Other respondents suggested to also consider connectivity with local GAAPs and not only with IFRS.
- (c) Some respondents suggested adding references to the ESRS to all concepts, dimensions and dimension members.
- (d) Incorporation by reference was rather seen as a complex mechanism and some respondents urged for specific guidance on this matter.
- (e) Some respondents suggested to monitor the use of the XBRL taxonomy. The tagging customs and practices will likely evolve and so could the underlying regulation. The XBRL taxonomy could therefore potentially be improved accordingly (e.g. by adding validation rules).

52. Some respondents provided comments on specific XBRL elements, including potential duplication with other elements, missing references, or spelling mistakes in the element labels.

53. Several respondents provided comments in relation to the tagging rules and a possible phase-in for some tags, which however are not in EFRAG's remit.

Next steps

54. After the presentation of the public feedback received to EFRAG SR TEG and EFRAG SRB, the EFRAG Secretariat will make detailed analyses of the comments grouped by subject and work (if needed) on proposals for amending the ESRS XBRL taxonomy. The proposed changes will

need to be discussed with the members of EFRAG’s Digital Reporting Consultative Forum (DRCF), and certain strategic aspects, if necessary, with EFRAG SR TEG and EFAG SRB in May and June 2024. The final approval of the ESRS Set XBRL Taxonomy is scheduled for July 2024.

55. After the approval of EFRAG SRB, the final XBRL taxonomy is to be handed over to ESMA and the EC, in order to be incorporated into the European Single Electronic Format (ESEF). The adoption of the amended ESEF RTS is then expected in 2025 by the EC.

Question for EFRAG SR TEG

56. This is an informative session; no question is provided for EFRAG SR TEG members.