

8 April 2024

EFRAG
35 Square de Meeûs
1000 Brussels
Belgium

To the attention of Mr Patrick de Cambourg

EFRAG Consultation on Draft ESRS Set 1 XBRL Taxonomy and Draft Article 8 XBRL Taxonomy

Cher Patrick,

Deloitte France is pleased to respond to EFRAG's consultation ('Consultation') on the draft digital XBRL taxonomies for ESRS Set 1 and the EU Taxonomy Article 8 ('draft digital taxonomy'). As digital tagging of sustainability reporting is a required element in the Corporate Sustainability Reporting Directive (CSRD), we appreciate the thorough and complex exercise conducted by EFRAG and partners in adapting the required disclosures into digital taxonomies. We have prepared this response by collecting input beyond France from the wider Deloitte network of ESRS, environmental Taxonomy, and XBRL specialists.

We understand the time constraints under which EFRAG has been working to be in a position to deliver to the European Commission ('EC') the required draft digital taxonomies within the time frame specified by the CSRD. Still, we want to highlight that this consultation had a very short turn-around period, which has affected our ability to cover all the questions in full depth. Particularly, we have not been able to analyse the draft Article 8 digital XBRL taxonomy for the financial sector and only covered the non-financial sector superficially. As such, this short timing has affected the depth and thoroughness of the review we have been able to conduct, as well as the completeness of the feedback we are able to provide. In addition, considering the complexity of the proposals, they would have warranted field-testing to check their ability to be implemented. Allowing proper time for stakeholders' consultation, and conducting field-testing, would likely help contributing to enhancing the ultimate quality of the standards prepared by EFRAG.

Based on our limited review of the proposals, our key comments on the Consultation, which we describe below, are as follows:

With respect to the draft ESRS Set 1 digital XBRL taxonomy

- (a) The presented draft digital ESRS taxonomy includes a high level of granularity and complexity, which will be difficult to implement, and consequently which will be a significant source of errors. Whilst we understand that EFRAG's approach has been to make available 'a tool' with the greatest granularity possible, we suggest the following to EFRAG. First, to simplify the granularity and, second, to convey to ESMA two suggestions that when they develop the proposals for the tagging requirements in the European Union, to further investigate the real needs from those who would be extracting the ESRS information digitally, so as to assess whether they actually need and will be frequently using that detailed level of granularity. ESMA may then tailor the tagging requirements accordingly. In summary, further implementation studies and cost/benefit analyses would be needed in our view;

- (b) Interoperability with the (proposed) IFRS Sustainability Disclosure Taxonomy is paramount and should be achieved to the greatest extent possible;
- (c) The mechanism for incorporation by reference needs to be improved to better accommodate for existing sustainability reporting practices and integrated reporting;
- (d) More validation rules will be needed to help implementation by the preparers and reducing the risk of errors; and
- (e) Based on a review of the content of the tags, some tags will need updates to their description or type, and some additional tags might be needed to fully capture the content of the ESRS.

With respect to the draft Article 8 digital XBRL taxonomy for the non-financial sector

- (a) Based on a limited review of the content of the tags, some tags will need to be reviewed; and
- (b) Some of the published examples in this consultation on how to fill out the Article 8 templates for the non-financial sector raise questions of consistency with current practices and, in our view, need further consideration.

I. Draft ESRS Set 1 digital XBRL taxonomy

On challenges EFRAG should consider for implementing the draft digital taxonomy

Based on our experience as auditors providing assurance on financial reports prepared using the current European Single Electronic Filing (ESEF) Taxonomy, which still proves difficult today even though the tagging of financial information is less complex than for sustainability information and the practice more mature, we consider that the high level of complexity and granularity of the draft digital XBRL taxonomies for ESRS Set 1 will bring significant risks of errors. Lack of reporting quality, potentially caused by the complexity of the exercise, will require significant work and resources from preparing entities and auditors alike.

While we support the introduction of technical features which are not included in the ESEF Taxonomy for financial information (i.e., Extensible Enumerations, Typed Dimensions and Booleans), in order to enable reflecting the Disclosure Requirements in the ESRS, we also want to highlight the challenges this will cause reporting entities or preparers of XBRL reports due to the higher level of implementation complexity. This not only pertains to the challenges in tagging the data for reporting entities, but also for the changes needed to existing software to implement new features, which will require time, cost and adaptation from software and service providers. As such, we would support an exercise to analyse whether the granularity of information could be further reduced by merging certain tagged information. To support this, a cost/benefit analysis between the value of granularity vs. precision and cost of errors could be conducted.

Multi-tagging

Multi-tagging of narrative content proved very difficult to implement in the tagging of ESEF financial information. The inclusion of levels is a welcome advancement on the ESEF taxonomy to address this. Still, we encourage EFRAG to provide guidance to ESMA how to avoid the multi-tagging burden to the extent possible by specifying at what level(s) tagging would be required to fulfil the CSRD tagging requirements: either at the most granular level, or at the higher levels (level 1-3), with the overall objective to avoid nested tags, as well as multi-tagging of narrative content.

Numerous facts and circumstances should be considered when deciding which levels of tags would be appropriate, further elaborated in our responses to the consultation questions. Furthermore, there should be as much consistency with the existing ESEF tagging rules as possible, to avoid confusion for preparers and users.

Tagging cross-referencing

One mechanism we consider essential for EFRAG to develop further for the digital ESRS taxonomy is regarding how reporting entities can use incorporation by reference in their tagged sustainability reporting. Incorporation by reference is stipulated in section 9.1 of ESRS 1, but the options given for how this would be accomplished within the draft digital ESRS taxonomy are insufficient to fully implement this concept. Not having an ability to cross-reference with other reports in XBRL will add a significant practical challenge and does not align to how integrated reporting is currently done by entities. The precise conditions for cross-referencing stipulated in ESRS 1 already bring challenges to entities practicing integrated reporting, which should not be increased further by additional constraints in the digital ESRS taxonomy.

Validation rules

In order to ease implementation of this complex exercise, it will be necessary to work further towards minimising errors in the reported data through appropriate validation rules, the same way as is done for financial reporting with ESEF. Please see our answers submitted in the questionnaire for examples of validation rules from financial reporting to consider.

On interoperability with the (proposed) IFRS Sustainability Disclosure Taxonomy

Just as is the case with the ESRS and the IFRS Sustainability Disclosure Standards ('IFRS SDS'), we support interoperability between the two sets of respective digital XBRL taxonomies. It should be a priority. For reporting entities, ideally, it should enable simple digital reporting when operating under both IFRS SDS and ESRS requirements. For users, it should enable a comparison of data and reported information between entities for elements that are equivalent or comparable.

We understand that the ISSB has established a granularity level for its XBRL taxonomy, at which it would be possible to achieve interoperability by having more aggregated disclosures (high-level tags). We also note that the ESRS XBRL taxonomy consists of high-level tags with lower-level tags nested as children or sub-tags of those higher-level tags. We encourage both EFRAG and the ISSB to continue their collaboration to agree on equivalence between, at least, the higher-level tags in the ESRS XBRL taxonomy to those of the IFRS sustainability digital taxonomy, and to the extent possible to the more granular tags, where appropriate. To this end, we look forward to further understanding whether the proposed solution of a concordance table between the two digital XBRL taxonomies announced with this consultation to map the interoperability between the two taxonomies would achieve this objective.

In their striving for interoperability, both the ESRS digital taxonomy and the IFRS sustainability digital taxonomy will have to consider the complications they will bring to ensure continuous interoperability. The taxonomies will have to be re-evaluated each time there are changes within either set of standards, meaning twice as many changes will need to be adapted.

We have observed that the draft ESRS digital taxonomy employs more unique items than the IFRS sustainability digital taxonomy, which makes more use of high-level tags. While we support the use of unique tags over the approach of more general tags in the IFRS sustainability digital taxonomy, please remember, as indicated above, that we also recommend EFRAG to consider further reducing the complexity of its ESRS digital taxonomy.

On support needed for entities and the assurance profession with the introduction of the taxonomies

With the structure of the ESRS digital taxonomy, as demonstrated in the illustrated sustainability reporting examples of ESRS reporting published in this Consultation, there is a risk of the proposed structure being too prescriptive. The structure required by the ESRS digital taxonomy to tag within its hierarchy is different from how entities currently report, with a purpose of informing their various stakeholders of their sustainable activities. The ESRS digital taxonomy should not put barriers in the way for entities to communicate information in a useful way to users. If it is relevant for them to do so with a design that is different from the structure of the ESRS, the ESRS digital taxonomy should allow them to do so.

We recommend that EFRAG, and subsequently ESMA, consider conducting field-testing of how sustainability reporting is currently being done, and how the ESRS digital taxonomy can accommodate for this. Furthermore, we highly recommend that they perform a communication exercise which includes clear information on what they expect from reporting entities regarding the structure of the report, and guidance on:

- (a) presentation of information for effective tagging; and
- (b) how to use complex design elements (Multi-columns, Tables, Charts, Pictures...) while still sufficiently including the required data.

The importance of this communication should not be underestimated.

Thorough guidance will be needed to educate entities on how to use the complex XBRL mechanisms created in order to minimise the use of custom or entity-specific tags (extensions). We support the inclusion of some of custom or entity-specific tags in the draft ESRS digital taxonomy, but we believe it is critical that entities are made aware of the various mechanisms in the taxonomy to avoid, where possible, entity-specific tags.

On the accuracy of how the draft digital taxonomy covers the standards

We appreciate the effort from EFRAG aiming at accurately reflecting the ESRS Set 1, first with its draft Implementation Guidance IG3 with identified Datapoints from the ESRS Set 1 standards, and now reflected in the draft digital ESRS taxonomy. We largely agree with how EFRAG has broken down the standards into XBRL elements. The comments we have for improvement have been included in the appendix and our response to the questionnaire, including a list of additional tags we recommend including in the finalised taxonomy.

II. Draft Article 8 digital XBRL taxonomy

Due to the short consultation period, in the draft Article 8 digital XBRL taxonomy we have only been able to focus our review on the proposed tags for reflecting the Article 8 Disclosure Delegated Act, Annex I and II, applicable to the non-financial sector. Our detailed comments are included in the Consultation questionnaire.

We have examined the examples of tables provided by EFRAG in appendix 2 of this Consultation and have observed some possible inconsistencies with current practices in filling out the templates, which should be reviewed by EFRAG. Our comment focuses particularly on how the Article 8 KPI template should be completed regarding how eligible but not aligned activities should be disclosed.

III. Timing of the implementation of the digital XBRL taxonomies

Lastly, we want to address the communication around when digital tagging will be required for CSRD reporting entities. The CSRD requires digital tagging, and assurance of the tagging, as from year-end 2024 for the first wave of entities having to apply the CSRD. Realistically, entities and their assurance providers will be not in a position to comply with those requirements until the digital XBRL taxonomies and associated requirements are finalised and issued by EFRAG, ESMA and the European Commission. To provide clarity to entities, we suggest EFRAG recommends to the EC:

- (a) publishing an official confirmation that entities in scope of CSRD are not expected to perform the tagging and therefore that assurance will not be required, until after the delegated acts are finalised and published in the EU Official Journal; and
- (b) providing further communication as to when it is expected that entities in scope of CSRD will be required to tag the information disclosed in their sustainability statement using those digital taxonomies. Sufficient lead-time will be needed for implementation once the taxonomy development process has been completed (including that from ESMA and the EC).

The timing of the final digital XBRL taxonomies, as well as future updates, must be anticipated to enable issuers, service and software providers and assurance providers enough time to identify changes and update tools. Considering the difficulties observed with the implementation of today's ESEF financial statements' tagging, it is important that support is given to transitioning entities to ease the process, such as the communication and guidance mentioned previously (including the possibility to organise filing dry runs). Entities should be incentivised to consider tagging from the start of their sustainability reporting's preparation, to ease the transition.

If you have any questions on our comments, please contact Julien Rivals at +33 1 40 88 83 94.

Yours sincerely



Julien Rivals

Deloitte France Climate and Sustainability Assurance Leader
Deloitte & Associés

Appendix 1— Draft ESRS Set 1 digital XBRL taxonomy – Detailed comments

Q1: Do you agree that the digital Draft ESRS Set 1 XBRL Taxonomy adequately represents the ESRS disclosure requirements?

Yes/No/Please explain your answer

Deloitte response:

Please find below the following two tables detailing all tags where we have recommendations for changes, as well as a list of tags we consider should be added to the ESRS digital taxonomy:

- **“Deloitte - ESRS Set 1 digital XBRL taxonomy - Comments on proposed tags”** – List of comments to the proposed XBRL tags for the ESRS Set 1 XBRL taxonomy
- **“Deloitte - ESRS Set 1 digital XBRL taxonomy - Proposed XBRL tags to be added”** - List of proposed additional XBRL tags for the ESRS Set 1 XBRL taxonomy

Comments will touch upon:

- Instances where we think the label could be more precise: Here we have either suggested changes to the XBRL label description to better mirror the text in the ESRS themselves, or added precisions to the XBRL label descriptions, in order to avoid having to add separate tags to cover missing nuances from the text;
- Instances where the wrong type has been identified;
- List of XBRL tags EFRAG should consider adding to the ESRS digital XBRL taxonomy; where possible we have suggested expanding the label description to avoid the creation of additional tags to support our message for less granularity, but some additional XBRL tags still seemed relevant; and
- Other comments to the tags

Q2: Do you agree that the Draft ESRS XBRL Taxonomy as currently designed meet the users’ (analysts, data providers, financial institutions, investors, regulators, etc.) needs? If not, what could it be improved?

Yes/No/Please explain your answer

Deloitte response:

Although we are not responding as users, we still have the following comments for consideration.

Interoperability with the IFRS SDS XBRL digital taxonomy

Interoperability with the IFRS sustainability digital taxonomy will be important for many users. We understand that the ISSB has established a granularity level for its XBRL taxonomy, at which it would be possible to achieve interoperability by having more aggregated disclosures (high-level tags). We also note that the ESRS XBRL taxonomy consists of high-level tags with lower-level tags nested as children or sub-tags of those higher-level tags.

We encourage both EFRAG and the ISSB to continue their collaboration to agree on equivalence between, at least, the higher-level tags in the ESRS XBRL taxonomy to those of the IFRS sustainability digital taxonomy, and to the extent possible to the more granular tags, where appropriate. As such, Deloitte is supportive of EFRAG's plans to implement concordance tables between the ESRS Set 1 digital XBRL taxonomy and the IFRS sustainability digital taxonomy, and we support interoperability to the greatest extent possible. Based on an initial assessment, we expect this comparison will be a complex and challenging task, which will include many areas of judgement due to the differences in granularity of both disclosure requirements, in terminology and in taxonomy elements.

Given the increased complexity of the ESRS taxonomy compared to the IFRS sustainability digital taxonomy, concordance tables should be supported with clear guidance on how elements in the ESRS taxonomy should be grouped, so that they are consistent with the IFRS sustainability digital taxonomy.

From a general perspective, the ESRS Set 1 digital XBRL taxonomy has a similar structure as the IFRS accounting and IFRS sustainability taxonomies in using dimensions and line-item concepts, but there are some tag types which may not be understood by most professionals and experts (i.e. mass, ghgEmissions, etc). For the taxonomy to work, users, preparers and assurance providers must be able to clearly understand how these elements should be implemented, ideally in a way which does not add an overly onerous burden to preparers and reporting entities. Furthermore, field-testing should be conducted to examine how sustainability reporting is currently done and prepared, so that the taxonomy can adapt if relevant.

Experience of reporting financial information under the ESEF regulation

We believe it is important to consider and learn from the experience of the implementation of ESEF. Over the past three reporting periods, preparers and reviewers of ESEF filings have encountered many and varied challenges and technical limitations with XBRL tagging the financial statements, which do not seem to have been fully grasped in this Consultation.

Questions have been raised around how useful content tagged with *Text block* tags is to users, given human involvement is required to interpret this information. While the tagging of granular information results in more usable and comparable content, the context of what and why they are reporting should not be lost.

In addition, *Text block* tagging has also caused many challenges for software providers, issuers, and assurance providers, with the format of HTML documents being sub-optimal as they are often created by pdf conversion. This has led certain EU countries (e.g., France) to introducing systematic 'Emphasis of matter' in audit reports relating to inherent technical limitations associated with *Text block* tagging, which means that extracted tagged information may not be identical to the human readable information. In this regard, HTML native documents should be highly recommended in our opinion.

Finally, we suggest that contextual tags relating to the issuer and its contextual information (e.g., name of entity, date of report etc.) will need to be either added to the draft ESRS taxonomy, or to a mechanism that may need to be created to use tags from other taxonomies such as ESEF.

Q3: Do you agree with hierarchy provided in the presentation linkbase of the Draft ESRS XBRL taxonomy, including the Level 1, 2 and 3 of narrative textblock tags (as explained in section 6.5. of the Explanatory Note and Basis for Conclusions)? And if not, what could be improved?

Yes/No/Please explain your answer

Deloitte response:

Yes. However, clear rules and guidance from ESMA will need to be provided around which level of tags are required where more than one level tag apply to a disclosure. Paragraph 100 of the “Explanatory note and basis for conclusions” published with this Consultation states that “EFRAG considers the tagging of the full hierarchy to be the most appropriate way”. However, this would result in a significant amount of multi-tagging of narrative content and nesting of tags, which should be avoided where possible, particularly considering the technical challenges and limitations on the nesting of tagging experienced with the ESEF tagging of financial statements.

Therefore, we encourage EFRAG to consider in more detail what their recommendations to ESMA will be on the recommended level of tagging required. Tagging at a more granular level may result in more data points being directly addressed by tags. Conversely, with granular tagging, some of the context behind disclosures may be lost, which should be avoided. Furthermore, more granular tagging may also result in double-tagging (if not more) if there are disclosures which meet multiple detailed tagging requirements.

Further to the comments around interoperability in the response to Q2, we recommend a review of level 3 tags and comparison with the IFRS sustainability digital taxonomy, to ensure that these data points provide meaningful information, assist in a more precise representation than level 2 requirements, and reduce the likelihood of misinterpretation of the data.

There will also need to be consistent rules and guidance around the requirements for tagging entity-specific information, if the use of level 1 tags is required to cover disclosures which include entity-specific information (see response to Q7).

Q4: Do you agree with the way EFRAG has re-used XBRL elements in the Draft ESRS XBRL Taxonomy to avoid double-tagging, as described in section 6.6. of the Explanatory Note and Basis for Conclusions, and as implemented for ESRS MDR elements?

Yes/No/Please explain your answer

Deloitte response:

Yes. We agree with the way EFRAG has re-used XBRL elements to avoid double-tagging or overlapping duplicated elements.

We agree with the recommendation to review the implementation of typed dimensions on the Minimum Disclosure Requirements after an analysis of the first digital reporting of ESRS statements.

Given that the introduction of typed dimensions is one of the mechanisms outlined to achieve this, rules and guidance should be developed to minimise risk of technical challenges for preparers and to increase the usefulness of data for users. This support could include:

- Overview of new mechanisms used – where, when and how they should be used;
- Educational webinars;
- Detailed guide for how to use typed dimensions; and
- Validation rules to avoid inconsistencies and errors.

Q5a: Do you agree that the implementation of semi-narrative (yes/no Booleans, dropdown enumerations) enriches the narrative disclosures and are therefore particularly relevant for users?

Yes/No/Please explain your answer

Deloitte response:

Yes. However, there are some areas to consider, most notably the concept of information being included in the machine-readable document, which may not exist in the same format in the human readable. For example, by tagging information as false, using a Boolean in the machine-readable document would immediately identify the information as "*not relevant*" or "*not applicable*", but the same type of information is not immediately captured in the human readable version. There may be situations where responses to a Boolean or enumeration require judgement. So, there should be rules and guidance around what is expected to be in the human readable, where Booleans or enumerations are to be used, and how human readable documents should be mapped.

Consideration should also be given to where tags will be presented, and how users will be able to see them, in an iXBRL viewer for example.

Lastly, enumeration choices currently sit in the definition link base. However, we suggest they should be added to the presentation link base as well, meaning they are easier to find for both preparers and users.

Q5b: Do you agree that the technical and conditional Booleans as described in section A1.6. of the Explanatory Note and Basis for Conclusions provide a clear benefit for users since they allow tagging of positive and negative confirmations?

Yes/No/Please explain your answer

Deloitte response:

No. There is a lack of clarity around to what extent these Booleans are present and used in the taxonomy and what is being proposed for them. Paragraph 136 of the "Explanatory note and basis for conclusions" outlines that EFRAG propose to "*remove all remaining conditional Booleans*" from the draft taxonomy.

If there is more potential for confusion or grey areas with these Boolean types, then they should not be introduced or mandated.

Q6a (XBRL experts only): Do you agree with the dimensional modelling of the ESRS XBRL taxonomy and in particular with the implementation of typed dimensions for IROs, policies, actions, targets and metrics as described in section A1.6. of the Explanatory Note and Basis for Conclusions?

Yes/No/Please explain your answer

Deloitte response:

Yes. Implementation of typed dimensions is useful and appropriate.

However, care must be taken when implementing typed dimensions as they are more prone to human error due to their very nature. Furthermore, each instance of a typed dimension represents a separate XBRL element, so we recommend investigating mechanics for how to reuse typed dimensions which have already been created. This may involve additional validation rules to perform sense checks which wouldn't be required if explicit dimensions were used. There should also be clear rules and guidance on which dimensions to use in which situations, as this is an area of significant change to what reporting entities are used to with the ESEF tagging of financial information. For example, a recommended naming convention could be outlined to limit the potential for mistakes e.g. P1 for policy number 1 etc.

Q6b (XBRL experts only): Do you agree with the introduction of open hypercubes for optional disaggregation as described in section A1.6. of the Explanatory Note and Basis for Conclusions? If not, how it should be improved?

Yes/No/Please explain your answer

Deloitte response:

No. As per XBRL International's "*Technical Considerations for the use of XBRL Dimensions 1.0*", the use case for open hypercubes is still uncertain as the preparing entities should be able to create or extend closed hypercubes to meet their needs, making it unclear what the separate need for open hypercubes would be. As such, the introduction of these elements would be a cause for concern and alternative options should be considered.

It is also not clear to what extent open hypercubes are anticipated to be required in filings.

Q7: Do you agree with the approach that minimizes the need for XBRL taxonomy extensions therefore supporting comparability across preparers and relevance, by providing mechanisms for tagging of the following disclosures, as described section 6.9. of the Explanatory Note and Basis for Conclusions:

1 IROs, Policies, Actions and Resources, Targets and Metrics;

2 additional requirement to ESRS datapoints);

3 disclosures stemming from other legalisations or generally accepted sustainability standards and frameworks; and

4 other entity specific disclosures, including metrics?

If not, how should it be improved?

Yes/No/Please explain your answer

Deloitte response:

Yes. Furthermore, clear rules and guidance should be provided to minimise custom/entity-specific tags.

Out of the two ways identified to capture entity-specific datapoints in paragraphs 116-117 of the “Explanatory note and basis for conclusions” published with this Consultation, we consider the second option of using ‘other’ tags is more appropriate, as this reduces the need for multi-tagging of narrative content.

As noted in response to Q3, rules and guidance around tagging of entity-specific disclosures should be consistent with rules for which levels of tags are required to be applied to a disclosure.

Q8: Do you think that the validation rules implemented in the Draft ESRS XBRL Taxonomy as described in section 6.8. of the Explanatory Note and Basis for Conclusions are appropriate? If not, please explain why and/or which additional validation rules or consistency checks should be implemented.

Yes/No/Please explain your answer

Deloitte response:

No. These need to be much more comprehensive, to reflect the size and complexity of this taxonomy. Given this proposed taxonomy includes more complexities than the ESEF taxonomy for the financial information, the validation rules should be equivalently comprehensive, covering all aspects of the tagged data, e.g., context and fact validation, mandatory mark-ups, percentage warnings, cross axis validations, technical validations, bespoke validation tests to ensure typed dimensions are used properly and consistently. Where existing validations for the ESEF taxonomy are intended to be used for the ESRS taxonomy as well, this should be explicitly stated.

We also suggest validation rules are developed for material information, voluntary information, circumstantial information (potentially using Booleans as indication) given the varying disclosure requirements in these areas.

Validation rules should include sufficient Error category tests, to prevent erroneous and poor-quality filings from being able to be submitted.

They should also include 'Warning messages' which could be potential indicators of the quality of a filing. Where possible, 'Warning messages' which result in false-positive messages should be minimised.

For the first and second validation rules included in paragraphs 107-109 of the "Explanatory note and basis for conclusions", these should be implemented carefully to avoid false positives. As for the third validation rule, the value of information messages is not clear. Validation Rules should remain of two types i.e. Errors and Warnings, to align with other taxonomies

Finally, we recommend that the timing of the taxonomy and related validation rules releases be managed to enable entities, service providers and assurance providers enough time to identify changes and update tools before the related reporting requirements come into effect.

Q9: Do you have any other comment or suggestions?

Comment box

Deloitte response:

Incorporation by reference

Tagging a concept in different sections of a document through continuations has been a challenge for most preparers and reporting entities. This is cited as a potential element of incorporation by reference in paragraph 119 of the "Explanatory note and basis for conclusions", but given the increased complexity of multiple XHTML documents, it is not clear how achievable this would be in practice. The draft ESRS Set 1 digital XBRL taxonomy needs a proper mechanism for cross-referencing, particularly considering the options stipulated in the ESRS 1 text itself.

There is also a question around whether issuers will opt for integrated reports. The suggestion in paragraph 45 to use the taxonomy as a structure for the sustainability reporting according to the ERSR requirements, will be a key factor for the success of ESRS/XBRL tagging, but it is considered more likely that issuers will retrofit their existing disclosures and ESG reporting, unless the requirement to follow the structure of the taxonomy is clearly mandated. From our experience, performing a retrofitting exercise a posteriori is likely to prove difficult to implement.

Needed guidance for reporting

Clear rules and guidance should be provided to issuers in order to simplify and standardize the sustainability-related information (ESRS structure) to avoid the use of complex design elements (Multi-columns, Tables, Charts, Pictures...), as it will be difficult/ impossible to retain the formatting in the extracted tagged information.

As for guidance on how to adapt to the reporting format required by the XBRL reporting, guidance will be needed for both mature reporting entities, who will need to know how to adapt their existing reporting to the XBRL format, and new reporters who are reporting for the first time.

Challenges for adapting to XBRL reporting format

Due to the granularity of this draft of ESRS XBRL Taxonomy, we anticipate significant delays in issuers' publication/submission schedules for preparation, update, review and approval of ESRS XBRL tagging. Significant challenges are expected from the structure of issuers' existing reports.

Categorisation of gender

To enable better inclusion of LGBT+ people, consideration of the concept of legal gender recognition taking root in Europe and considering substantial differences that may exist between countries. We would like EFRAG to consider having gender “members” extended to non-binary genders already adopted or considered by EU Member States (ex. “X”). Any questions in this regard, or data privacy/confidentiality potentially related questions, i.e. employee info, would need to be reviewed carefully before application. Examples include:

- [401060] S1-6 Characteristics of undertaking's employees: “Explanation of why it is not possible to disclose data about employees for gender categorised as other than female and male and why this category is not applicable [text block]”
 - *Issuers might not be willing to disclose this in such details.*
- [401060] S1-6 Characteristics of undertaking's employees: “Characteristics of undertaking's employees - information on employees by contract type and gender [table]”
 - *Potential privacy issue in case of x1 unique occurrence in a contract type that could exist considering the size and diversity of legal entities in scope for ESRS.*

Q10: Upload of technical attachments to the survey responses.

Browse upload

Upload will consist of this comment letter as well as a list of detailed comments to tags from Q1 of this and the article 8 taxonomy questionnaire.

IV. Appendix 2— Draft Article 8 digital XBRL taxonomy - Detailed comments

Q1: Do you agree that the Draft Article 8 XBRL Taxonomy adequately represents the Article 8 disclosure requirements?

Yes/No/Please explain your answer

Deloitte response:

We want to highlight that this consultation has had a very short turn-around period, which has affected our ability to cover all the questions in full depth. Particularly, we have not been able to analyse the draft Article 8 digital XBRL taxonomy for the financial sector and our review only covered the non-financial sector superficially. This short timing has affected the depth and thoroughness of the review we have been able to conduct, as well as the completeness of the feedback we are able to provide. In addition, considering the complexity of the proposals, they would have warranted field-testing to check their ability to be implemented.

Please find below the following two tables detailing all tags where we have recommendations for changes, as well as a list of tags we consider should be added to the Article 8 digital taxonomy:

- ***“Deloitte - Article 8 digital XBRL taxonomy - Comments on proposed tags”*** – List of comments to the proposed XBRL tags for the ESRS Set 1 XBRL taxonomy
- ***“Deloitte - Article 8 digital XBRL taxonomy - Proposed XBRL tags to be added”*** - List of proposed additional XBRL tags for the ESRS Set 1 XBRL taxonomy

The recommended changes include:

- Instances where we think the label could be more precise;
- Labels or tags that should be split into two, in order to accommodate for different data asked; and
- Other comments to the tags.

Furthermore, we want to encourage EFRAG to reconsider the examples of Article 8 reporting provided in appendix 2 of this Consultation, due to the following observations:

- In section A.2 *“Taxonomy Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)”* of the Article 8 KPI template for undertakings in the non-financial sector, we noted that for activities that are eligible for more than one environmental objective, no allocation to a relevant objective has been performed. This leads to percentages of turnover per environmental objective that exceed 100%, which should not be possible; and
- In addition, the total of the percentages regarding taxonomy aligned activities and taxonomy not-aligned activities (the sum of A.1 and A.2) does not correspond to the actual sum of the two lines.

Because of these observed inconsistencies, the provided examples are leading to more complexity and confusion, as this is not consistent with some current practice in filling the templates. Moreover, these examples are not transparent about how information can be reconciled.

Q2: Do you agree that Article 8 statements tagged with the Draft Article 8 XBRL Taxonomy are useable for users? And if not, what could be improved?

Yes/No/Please explain your answer

Deloitte response:

- We will not be responding to this question

Q3: Do you have any other comment or suggestions?

Yes/No/Please explain your answer

Deloitte response:

- We will not be responding to this question

Q4: Upload of technical attachments to the survey responses.

Yes/No/Please explain your answer

Deloitte response:

Browse upload

Upload will consist of this comment letter as well as a list of detailed comments to tags from Q1 of ESRS digital XBRL taxonomy and the article 8 taxonomy questionnaire.

Note: please note that we have not been able to analyse the draft Article 8 digital XBRL taxonomy for the financial sector and our review only covered draft Article 8 digital XBRL taxonomy for the non-financial sector superficially.