



EFRAG
Mr P. de Cambourg
Ms C. Delprete
35, Square de Meeûs
1000 Brussels

8 April 2024

Re: Proposed Taxonomies relating to ESRS and Article 8 disclosures prompted by the implementation of the Corporate Sustainability Reporting Directive

Dear Mr de Cambourg, Ms Delprete,

We appreciate the opportunity to respond to your invitation to comment on the Draft ESRS Set 1 XBRL Taxonomy and the Draft Article 8 Taxonomy. Following discussion with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the Draft Taxonomies. “PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We view the development of these taxonomies as an important and necessary step in delivering the overall objectives of the Corporate Sustainability Reporting Directive (“CSRD”), in particular to enable digital access to the data that will become available as the CSRD takes effect in the coming years. The initiative will build upon the foundation already laid by the European Single Electronic Format Regulatory Technical Standard and users of data will benefit from the digitisation of sustainability information.

We support the direction EFRAG is taking. Users of the machine-readable format of sustainability reports should be placed in an equal position to users of the human-readable inline format to the extent possible and these taxonomies have a role to play in that regard. In broad terms the taxonomies reflect the breadth and depth of potential disclosures arising from the requirements set out in the European Sustainability Reporting Standards (“ESRS”) and Article 8. The desired outcomes will involve further rulemaking and due processes. Accordingly, it will be beneficial for EFRAG to finalise the taxonomies in the coming months. We also note the rapidly changing technological landscape and recommend that EFRAG continues to monitor the need for, and use of, digital taxonomies as technological solutions develop.

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This letter highlights our overarching comments for consideration with respect to both the draft taxonomies in order of priority. This is followed by Appendix A and B which include detailed responses to the questions for respondents included in the ESRS and Article 8 Taxonomies respectively.

The relationship of the taxonomies with future ESMA rulemaking and Europe-wide adoption processes

Once the taxonomies are finalised, ESMA are expected to propose adjustments to the ESEF RTS. Following this, finalisation of a recommendation to the European Commission and further legislation will be necessary. The recent implementation of the ESEF Regulatory Technical Standard has demonstrated the importance of how rules and taxonomies combine and interact to define the practical implementation challenge for all involved, for example in connection with the Block tagging requirement for notes on the financial statements. In this regard, the involvement of ESMA in EFRAG's recent webcast to introduce the taxonomy consultation was a helpful and welcome contribution. We encourage further interaction between EFRAG and ESMA to inform the subsequent rulemaking process and stand ready to play our role in discussions relating to proposals for rules and legislation that implement the final taxonomies.

Common practice in disclosures

By necessity, the taxonomies have been developed before common reporting practices have emerged. We expect that EFRAG will be monitoring the emergence of reporting practices as the first wave of implementation of the CSRD for 2024 annual reports are published in early 2025. As part of that monitoring, we encourage EFRAG to consider how those disclosures in practice might be best reflected in future modifications to the taxonomies on a timely basis.

While reviewing the draft we have noticed that some of the worked disclosure template examples under the EU ("green") Taxonomy do not seem to be in line with the Disclosures Delegated Act. We are at your service to explain this in further detail.

If there are specific aspects of our response that you would welcome further perspective upon, we would be happy to engage further. If you have any questions in relation to this letter, please do not hesitate to contact me (gillian.lord@pwc.com).

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Glord'.

Gilly Lord
PwC Global Leader for Public Policy and Regulation

PwC IL is registered under number 60402754518-05 in the EU Transparency Register.

Appendix A: Responses to the ESRS Exposure Draft Questions

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

Yes. We understand that EFRAG have performed a detailed exercise to identify disclosure requirements in the ESRSs and transpose them into a taxonomy. We have not reperformed this exercise but did not identify any specific matters as we considered our responses to this questionnaire.

Q2: Do you agree that the Draft ESRS XBRL Taxonomy as currently designed meets the users' (analysts, data providers, financial institutions, investors, regulators, etc.) needs? If not, what could it be improved? Yes/No/Please explain your answer

Yes, we expect that digitising ESRS disclosures will be useful. To the question of whether it can be improved further, in the medium term we expect that the custom and practice in disclosures will naturally evolve as the underlying regulation is addressed in practice and that some adjustment to taxonomies will be appropriate in response. However, for now, We also note the rapidly changing technological landscape and recommend that EFRAG continues to monitor the need for, and use of, digital taxonomies as technological solutions develop the Draft ESRS taxonomy appears an appropriate ingredient for the next phase of the rulemaking process, which we understand will be rulemaking by ESMA to include the taxonomy within a revised ESEF Regulatory Technical Standard.

Q3: Do you agree with the 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

Yes, devising a taxonomy with a hierarchy of tags is an appropriate approach and should help avoid an excessive amount of different tags being applied to individual lines or paragraphs of narrative disclosure set out in the human-readable annual report. This is a topic where it will be particularly important that EFRAG and ESMA work cooperatively as ESMA will be responsible for proposing the Regulatory Technical Standard containing rules relating to the extent of required tagging.

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

The logic of what is intended appears reasonable. However, the proposals are highly technical and the extent and practicality of any modifications that might be necessary for existing software is uncertain. Feedback from software providers should enhance understanding of this proposal.

Q5: 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

Boolean tags and enumeration elements are not new and have been used on a limited basis in connection with iXBRL tagging of financial statements in the United Kingdom for many years. They are relevant for users, not necessarily to enrich the narrative disclosures, but to help provide a readily accessible dataset of issuers that do (or do not) have certain characteristics, for example whether the issuer has procedures in place to prevent, detect and address allegations and incidents of corruption and bribery.

We note that prior to issuing this consultation EFRAG have worked through candidates for conditional Boolean tags and as a result of interaction with the Sustainability Reporting Technical Expert Group, the number of Boolean tags that are proposed has been significantly reduced. We agree that a degree of caution in the introduction of Boolean tags and enumeration elements is appropriate and note that there will be opportunity to add more such tags building on disclosures in practice and user feedback once ESRs are applied in practice and the related reporting is digitised.

Q6: 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

We expect these will provide a benefit for users for the reason outlined above.

Q7: 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

We view this as primarily a matter that relates to software providers, to consider the extent to which their existing software will need modification to put the proposed dimensional modelling into effect.

Q8: 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

We view this as primarily a matter that relates to software providers, to consider the extent to which their existing software will need modification to put the proposed introduction of open hypercubes into effect.

Q9: 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 additions 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

In general, it is useful to limit the need for extensions. The measures taken to minimise the need for XBRL taxonomy extensions will be reliant upon software providers being able to implement them.

Q10: 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

Validation rules have a role to play in assisting the process of preparing high quality digital reporting. We note that proposed validation rules generally benefit from extensive testing in practice and at this proposal stage this is not yet possible. The proposed validation rules enable testing to be undertaken and are therefore moving the right direction. We are not in a position to predict how successful these candidate validations will be in practice. In due course we expect that ESMA may issue rules or guidance relating to the tagging of sustainability information that may incorporate these validation rules and/or give rise to further validation tests.

Appendix B - responses to the Article 8 exposure draft questions

Q1: Do you agree that the Draft Article 8 XBRL Taxonomy adequately represents the Article 8 disclosure requirements? Yes/No/Please explain your answer

We understand that EFRAG have performed a detailed exercise to identify disclosure requirements in Article 8 and transpose them into a taxonomy. We have not reperformed this exercise but did not identify any specific matters as we considered our responses to this questionnaire.

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?

We expect that digitising Article 8 disclosures will be useful. To the question of whether it can be improved further, in the medium term we expect that the custom and practice in disclosures will naturally evolve as the underlying regulation is addressed in human-readable format and that some adjustment to taxonomies will be necessary in response. However, for now, the Draft Article taxonomy appears an appropriate ingredient for the next phase of the rulemaking process.

Q3: Do you have any other comment or suggestions?

Q4: Upload of technical attachments to the survey responses.