

# Reply form

**Consultation Paper on the Regulatory Technical Standards (RTS) on the European Single Electronic Format (ESEF) defining marking up rules for sustainability reporting and revising the marking up rules for the Notes to the IFRS consolidated financial statements and, on the amendments to the RTS on the European Electronic Access Point (EEAP)**

## Responding to this paper

ESMA invites comments on all matters in the Consultation Paper and in particular on the specific questions in this reply form. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **31 March 2025**.

## Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type <ESMA\_QUESTION\_ESEFEEAP\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA\_ESEFEEAP\_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_ESEFEEAP\_ABCD.

- Upload the Word reply form containing your responses to ESMA's website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

## **Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

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## 1. General information about respondent

|                                      |                          |  |  |
|--------------------------------------|--------------------------|--|--|
| Name of the company / organisation   | XBRL International       |  |  |
| Are you representing an association? | <input type="checkbox"/> |  |  |
| Country/Region                       | Choose an item.          |  |  |
| Activity                             | <input type="checkbox"/> | Information provider (issuer, undertaking or preparer) of corporate reports subject to digitalisation requirements in the EU | <input type="checkbox"/> Public interest entity (entities governed by the law of an European Union Member State whose transferable securities are admitted to trading on a regulated market of any Member State; (ii) credit institutions; (iii) insurance undertakings, or (iv) entities designated by Member States as public-interest entities) |
|                                      |                          |  | <input type="checkbox"/> Non-public interest entity (large non-listed EU company, including large EU company with securities only listed outside EU regulated markets)   |
|                                      |                          |  | <input type="checkbox"/> Non-public interest entity (large non-EU company with securities listed in EU regulated markets)  |
|                                      |                          |  | <input type="checkbox"/> Non-public interest entity (SME listed in EU regulated markets)   |
|                                      |                          |  | <input type="checkbox"/> Other (provide comment):<br>Click here to enter text.   |
|                                      |                          |  | <input checked="" type="checkbox"/>  |
|                                      | <input type="checkbox"/> | Software provider  |  |
|                                      | <input type="checkbox"/> | Auditor of corporate reporting subject to digitalisation requirements in the EU  |  |

|  |   |                          |  |
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|  | ☒ | Other (provide comments) | XBRL International is a global not for profit standards development organisation operating in the public interest. |
|--|---|--------------------------|--|

## 2. Questions

### 1.1. Marking up sustainability reporting

**Question 1:** Do you agree with the assessment framework and the manner in which the various elements and factors are to be considered in developing the marking up rules and the phased approach? If not, please explain your reasons and suggest any elements or factors that should be added or removed, or propose sound alternative assessment frameworks.

<ESMA\_QUESTION\_ESEFEEAP\_01>

No.

XBRL International is the global not-for-profit standards development organization responsible for XBRL. Our standards are open and freely licensed and are used across the world<sup>1</sup> to facilitate digital business reporting in a wide range of reporting domains. We have a specific public interest purpose: to improve the accountability and transparency of business performance globally, by providing an open data exchange standard for business reporting.

XBRL International uses formal, consensus-based standards-making processes, including public comment periods in the preparation of our voluntary specifications<sup>2</sup> that together make up the XBRL standard. Our 500+ organisational members comprise representatives from across the information supply chain, including a significant number of regulators from right around the world. We are supported by 19 independent chapters that focus on digital reporting in their own countries and regions, including XBRL Europe. Founded in 2021 we have worked to foster the shift from paper-based reporting to digital reporting. Over the last 25 years, adoption by regulators has gone from 0 to more than 200 regulatory mandates across the world in a wide range of domains. XBRL disclosures in securities markets cover more than 95% of global market capitalisation.

We strongly support the end state – digital reporting will make sustainability disclosures comparable and usable. However, we consider the “narrative levels” outlined in the proposal have the potential to increase confusion, adding cost and complexity to CSRD disclosures. We suggest that this be simplified. We also urge ESMA to reconsider its phasing in approach, given that the operation of the Omnibus Amendments will ensure that companies will have a significant amount of additional time to prepare their operations for these disclosures.

Particular issues:

- The phasing arrangements are unnecessarily complex and will impact the relevance and utility of EU corporate disclosures and competitiveness of EU markets. We appreciate that when the CP was being prepared ESMA was of the view that a range of undertakings did

<sup>1</sup> See the XBRL International [Project Directory](#) for a list of current regulatory mandates that we are aware of.

<sup>2</sup> See <https://specifications.xbrl.org/>

not have sufficient time to prepare. We think, in the light of the Omnibus Amendments, that you should re-assess, with a view to simplification that would both ensure that companies will not have a complex set of phasing rules to navigate *and* ensure that EU corporate reporting can be immediately consumed by users of all kinds.

- A digital mandate that either:
  - comes in at the time of the relevant financial or sustainability reporting requirement; or
  - is voluntary for that initial disclosure period and mandatory in the following fiscal year, would assist EU competitiveness.

A set of digital phase-in rules that stretch out for 2 to 5 years will impact analysis, investment and lending during a period in which capital flows are absolutely vital. Given the overall reductions in burden being provided in terms of the number of undertakings subject to CSRD, the pullback in the scope of the ESRs and the delays to originally scheduled CSRD timing for waves 2-4, undertakings will have more than enough time to prepare their digital disclosures.

In terms of the phasing proposals, it is challenging to determine what is a level 2 and what is a level 3 disclosure. Each level and datatype has its own phasing, which is hard to understand and hard for software to support, which will add to burden. This is evidenced by the inconsistency between the consultation paper and the proposed RTS when describing them. Entities will need to reevaluate what phase they are in each year, particularly due to their size, or other changes, such as changes to the RTS. Dripping out the digital details of narratives over several years in this way will impair the ability of users to understand them. Without digital tags the resources required to look across more than a very small number of comparable narratives within company reports is beyond the capability of most users (including most regulators and standards setters). We have significant doubts as to whether information providers can or will capture complete narratives for all companies within their own systems as well. If there is a policy requirement to phase in the granularity of narrative tagging, it would be more logical, in our view, for the Omnibus to phase in these disclosure requirements themselves. If these (in our view, undesirable) phasing arrangements do go ahead then:

- Please add property references on the taxonomy elements denoting what is a level 2 and what is a level 3 requirement, to reduce the costs that will be incurred by sustainability disclosure software vendors in custom coding and by issuers in determining what they need to report.
- Please discuss the relative priority of the different levels of narrative disclosures with users. We understand that in many cases it would be helpful to start with Level 3 and move back up to Level 1, instead of the other way around.

<ESMA\_QUESTION\_ESEFEEAP\_01>

**Question 2:** Do you agree with the phased approach and the proposed timeline? Do you concur that the first phase should be implemented for the same financial year or the following financial year depending on the publication date of amendments to the RTS on ESEF in the OJ (before or after 30 June of the given year)? If not, please provide your reasons and suggest any well-founded alternative timelines for implementation.

<ESMA\_QUESTION\_ESEFEEAP\_02>

*Do you agree with the phased approach and the proposed timeline?*

No.

The phased approach and the proposed timeline leads to:

- more complicated preparer software, with effort put in to managing phasing in rather than making filings better quality, cheaper or quicker
- more complicated processes for audit
- preparers having to re-evaluate what they need to do each year rather than getting better at doing it each year
- users having a mixture of PDFs, digital reports and no reports to deal with in any given year.

Reporting in CSRD is already phased / limited for analogue reports. There is no need to delay digital reports with additional phasing and timeline.

We have noted the broader issues related to this question in our Annex PDF.

*Do you concur that the first phase should be implemented for the same financial year or the following financial year depending on the publication date of amendments to the RTS on ESEF in the OJ (before or after 30 June of the given year)?*

No

We think that the signal that the market needs is the publication of the final taxonomy by EFRAG (perhaps with an announcement from ESMA that it *expects* to recommend the adoption of that taxonomy in an RTS). We appreciate that reporting obligations only kick in once the taxonomy has been published in the OJ, but extending additional time beyond that date seems like another delay that will impair the utility of EU reporting.

We think that this process itself should be changed – it is an analogue approach to the digital age, but this is not something that is in ESMA's remit. Nevertheless, ESMA should be able to treat the OJ publication as a necessary formality, and focus review and consultation efforts around the digital taxonomy itself.

We note that the ESRS taxonomy is (a) subject to its own consultation timeline and review processes; and (b) is subsequently signed off as a suitable "digital twin" to the ESRS standards themselves by the EFRAG Sustainability Reporting Board. The market is fully conscious of the role of EFRAG in relation to the ESRSs. ESMA re-consulting on these taxonomies is an unnecessary cog in the wheel unless the taxonomies are substantially amended. To date, ESMA's changes to taxonomies have been absolutely minimal: a good sign that it has appropriate levels of formal and informal interaction with EFRAG.

Our ideal alternative to what is proposed is for ESMA to issue a suitable notice to the market now (2025Q2) that reporting will happen for FY2025 onwards, that is, for reports submitted in FY2026 onwards. That would mean that as the (Omnibus Amended) Waves of reporting requirements

come on line, they would be obliged to report in digital form from the outset, while Wave 1 would need to prepare their digital reports next year.

The well-founded alternative: fully marked up digital reports from FY2025 onwards but with a *one year grace period*. The benefits to this approach and timeline remain:

- preparer software requirements are clear and unchanging from day one
- preparer software requirements do not vary with the undertaking size or reporting year
- undertakings can determine a work-plan specific to them to become ready for the grace period, perhaps focusing on detailed tagging of certain topics ahead of others in the first year.
- Audit practices are the same regardless of year, save for whatever provisions the grace period sets out
- Users get digital reports as soon as possible and they know that any undertaking's first sustainability report may not be marked up, but the second and subsequent reports will be fully usable, with complete mark up.

We have noted the broader issues related to this question in our Annex PDF.

<ESMA\_QUESTION\_ESEFEEAP\_02>

**Question 3:** Do you agree with only considering an additional staggered approach based on the type of large undertakings? If not, please explain your reasons and suggest alternatives or other factors that should be considered and why.

<ESMA\_QUESTION\_ESEFEEAP\_03>

No.

We support the EU's "digital by default" that has been in effect since the Tallin Declaration of 2017. The staggered approach is not a "digital by default" approach and does not conform to the emphasis on "digital first" in the Competitiveness Compass and Draghi Report.

Non-public interest entities may or may not have produced reports in XHTML or XBRL before, but a staggered approach will not help them get ready. Only *requiring* them to report in digital form will help them get ready to do that.

It is unclear how unlisted undertakings will provide their digital disclosures to users. In our view, significant components of the draft RTS are over-complicated because it seeks to cover digital filing obligations for both public- and private-company undertakings using one set of language. We think that ESMA should work to simplify the drafting in this area, clarifying the processes that different kinds of companies will need to use in order to file their reports. Presumably this requires some additional legislative work by the EC.

Regardless, it is important that *all* digital reports are discoverable via ESAP.

<ESMA\_QUESTION\_ESEFEEAP\_03>



**Question 4:** Do you agree with the phases and the content to be marked up as outlined for each phase? If not, please provide your reasons and suggest any well-founded alternative regarding the content for each phase, together with the rationale behind your suggestions.

<ESMA\_QUESTION\_ESEFEEAP\_04>

No

We do not agree with the phasing as noted in response to question 2.

If ESMA decides that phasing in *is* required, in terms of the content to be marked up, it would be better to phase in based on ESRS standard or topic rather than particular data-types: a low level, but cross-cutting detail.

The well-founded alternative: fully marked up digital reports from FY2025 onwards but with a one year grace period. The benefits to this approach and timeline:

- preparer software requirements are clear and unchanging from day one
- preparer software requirements do not vary with the undertaking size or reporting year
- undertakings can determine a work-plan specific to them to become ready for the grace period, perhaps focusing on detailed tagging of certain topics ahead of others in the first year.
- Audit practices are the same regardless of year, save for whatever provisions the grace period sets out
- Users get digital reports as soon as possible and they know that any undertaking's first sustainability report may have reduced mark up but the second and subsequent reports will be fully usable with complete mark up.

<ESMA\_QUESTION\_ESEFEEAP\_04>

**Question 5:** Do you think it is necessary to establish a clear timeline and content for each phase from the outset? If not, please explain your reasons and propose alternative approaches.

<ESMA\_QUESTION\_ESEFEEAP\_05>

Yes.

We disagree with the approach to phasing but if there is phasing, particularly based on content or data-type of content, then a clear and fixed timeline helps all participants. In addition, in our view this phasing simply will not work without much clearer requirements that are documented as machine-readable properties in the taxonomy itself.

<ESMA\_QUESTION\_ESEFEEAP\_05>

**Question 6:** Do you agree with the approach to limit the creation of extension taxonomy elements for marking up sustainably reports? If not, please explain your reasons and suggest alternative approaches.

<ESMA\_QUESTION\_ESEFEEAP\_06>

Yes.

We would recommend ESMA go further and prohibit extension elements for ESRS disclosures. The ESRS taxonomy has a built-in (typed dimension) extension mechanism which should be used.

For those required to prepare an ESRS disclosure but not required to do an ESEF IFRS XBRL disclosure (which has an extension), it will be particularly reassuring that they will not have to create extension elements.

<ESMA\_QUESTION\_ESEFEEAP\_06>

**Question 7:** Do you agree with the inclusion of a review clause that would trigger stock-taking by ESMA on the need to make necessary adjustments in response to changing circumstances? If not, please explain your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_07>

Yes

It is unclear how any review clause differs materially from ESMA's usual abilities but we think that regular review is relevant and important.

There have been more than 200 regulatory mandates for the use of XBRL around the world. The shift from a paper-oriented disclosure regime to a digital one is a change and like any change, it requires work from everyone involved.

There is no getting away from the fact that the work associated with the digitisation of the historically analogue process of corporate reporting falls primarily on the external reporting teams of reporting companies. Unless and until companies can clearly understand the concrete benefits of digital disclosures, the process will continue to be perceived as burden, or indeed (incorrectly) something that can be replaced by external AI systems. The benefits include helping their performance get noticed by investors, facilitating benchmarking with competitors and peers, enhancing controls around their disclosures, automating significant aspects of their disclosure compliance arrangements and getting their data used by institutional financial and sustainability/stewardship analysts.

ESMA needs, therefore, to foster breadth, timeliness and quality in all of the digital data that it asks for. It is never the case that these changes happen perfectly overnight. We think that the CP should have emphasised this goal, and that the RTS should:

- Identify ways that ESMA and NCAs will test and review digital filings on an ongoing basis.
- Suggest approaches for continuous improvement.
- Ensure that the suitability of the relevant XBRL taxonomy is reviewed in the light of the digital disclosures received on an ongoing basis; and indeed
- Ensure that the utility of corporate disclosures (including digital disclosures) is robustly reviewed periodically.

Outside of the RTS, ESMA should consider information sessions for internal and external stakeholders that hold digital disclosures up to the light, and make sure that the resultant data is being used within its own internal regulatory and NCA supervisory processes.

Furthermore, as entities transition from analogue reporting to digital reporting, it is important that ESMA provide formal and informal feedback to market participants, actively develop and maintain high quality data quality rules and encourage the judicious use of NCA enforcement powers to ensure that undertakings understand that digital disclosure matters.

<ESMA\_QUESTION\_ESEFEEAP\_07>

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## 1.2. Marking up Article 8 sustainability disclosures

**Question 8:** Do you agree with having a closed taxonomy for Article 8 sustainability disclosures? If not, please explain your reasons and provide examples on when entity-specific extensions might be necessary.

<ESMA\_QUESTION\_ESEFEEAP\_08>

Yes

<ESMA\_QUESTION\_ESEFEEAP\_08>

**Question 9:** Do you agree with the proposed requirement to fully mark up the Article 8 sustainability disclosures without implementing a phased approach in relation to the content of the information to be marked up? Do you agree with only considering a staggered approach based on the type of large undertakings? If not, please explain your reasons and suggest alternative approaches.

<ESMA\_QUESTION\_ESEFEEAP\_09>

*Do you agree with the proposed requirement to fully mark up the Article 8 sustainability disclosures without implementing a phased approach in relation to the content of the information to be marked up?*

Yes, we support fully marking up Article 8 disclosures without a phased approach.

*Do you agree with only considering a staggered approach based on the type of large undertakings? If not, please explain your reasons and suggest alternative approaches.*

No, we don't think there needs to be a staggered approach based on undertaking type for introducing digital reporting to Article 8.

A well-founded alternative: Any Article 8 report submitted after a particular date (2026-01-01 for example) must be in digital format regardless of the type or size of the undertaking.

It is important to maintain a level playing field and the obligation to produce an Article 8 disclosure already exists. This is just about changing the reports from being analogue to digital.

A system where some reports are digital and some are analogue makes using (consuming) the data costly and unreliable.

<ESMA\_QUESTION\_ESEFEEAP\_09>

**Question 10:** Do you support the requirement to mark up the Article 8 sustainability disclosures for the same financial year or the following financial year depending on the publication of the RTS on ESEF in the OJ and align it with the sustainability marking up? If not, please provide your reasons and suggest alternative approaches.

<ESMA\_QUESTION\_ESEFEEAP\_10>

No – we think this proposal can be substantially improved and simplified.

Our preferred alternative is for ESMA to issue a suitable notice to the market now (2025Q2) that reporting will happen for FY2025 onwards, that is for reports submitted in FY2026 onwards.

We recommend all announcements and dates for introduction of changes in an RTS have the same effective date regardless of whether the underlying disclosure area is IFRS, ESRS or Article 8.

We do note that without ESRS-compliant disclosures by corporates the majority of Article 8 templates need to be filled in using estimated data, either developed by the undertaking or purchased from a third party. This seems undesirable and is yet another reason not to delay the introduction of digital disclosures beyond the phasing requirements of the updated CSRD itself.

As entities transition from analogue reporting to digital reporting, it is important that ESMA provide formal and informal feedback to market participants, actively develop and maintain high quality data quality rules and encourage the judicious use of NCA enforcement powers to ensure that undertakings understand that digital disclosure matters.

<ESMA\_QUESTION\_ESEFEEAP\_10>

**Question 11:** Do you agree with the inclusion of a review clause that would trigger stock-taking by ESMA to consider any necessary adjustments in response to the evolving circumstances? If not, please provide your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_11>

Yes.

Sustainability *disclosure* is relatively new. Without a rigorous analysis of digital consumption patterns, drawn (for example) from ESAP, it will be difficult for policy makers to understand the relative importance of the different ESRS disclosure standards.

<ESMA\_QUESTION\_ESEFEEAP\_11>

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### **1.3. Common technical aspects: incorporating the ESRS and Article 8 digital taxonomies into the ESEF taxonomy framework**

**Question 12:** Do you agree with the technical approach followed by ESMA with regards to incorporating ESRS and Article 8 digital taxonomies from EFRAG into the ESEF taxonomy

framework?

<ESMA\_QUESTION\_ESEFEEAP\_12>

Yes

We think it is sensible and best practice to offer a set of clear entry points (as done in the prototype) that outline all the permitted combinations of digital taxonomies.

Points to consider:

- Please do not re-create the linkbases from the ESRS and Article 8 taxonomies. Instead just import their “all” entry points.
- We think there may need to be an additional entry point for those reporting Article 8 and ESRS but not reporting IFRS.
- There is currently (as noted in the prototype documentation) a conflict between the Article 8 and ESRS taxonomies that EFRAG will need to resolve as part of any corrigendum. Currently it is impossible to use both taxonomies at once due to this issue.

We have included an updated prototype taxonomy in our submission to illustrate our proposal. (If uploading is not technically possible we will provide this attachment separately.)

Any extension or anchoring mechanism specified in ESEF (whether intended for existing IFRS or any ESEF disclosure) should be checked and updated to make sure the instructions are clear as regards Article 8 and ESRS disclosures. For example, ESMA’s wider-narrower arcrole should have its definition updated to support ESRS and Article 8 or it should be explicitly noted that the arcrole must not be used with those taxonomies.

We note that the process for updating erroneous translations within taxonomy label sets is time consuming and burdensome. We have a technical proposal to assist that may be of interest, covered briefly in our supporting PDF submission. We would be happy to discuss.

<ESMA\_QUESTION\_ESEFEEAP\_12>

**Question 13:** Should ESMA consider using the EFRAG taxonomy files ‘as-is’ and without developing a ‘technical’ extension, similar to the one developed for IFRS accounting taxonomy scope?

<ESMA\_QUESTION\_ESEFEEAP\_13>

Yes.

There is no need to create a technical extension for the EFRAG taxonomy files.

We think it would be worth reviewing whether the existing technical extension for the IFRS accounting taxonomy is still required. We suspect it could be dropped and that would save time and complexity.

As noted in other answers/questions, we think filers should use the built-in (“typed dimension”) ESRS extension mechanism and avoid creating extension elements and linkbases. For Article 8, we recommend not permitting extensions in any form as it is a closed, table-based disclosure.

<ESMA\_QUESTION\_ESEFEEAP\_13>

**Question 14:** Do you have any other suggestions in relation to the future ESEF taxonomy framework and how ESMA can further reduce the burden for the reporting entities?

<ESMA\_QUESTION\_ESEFEEAP\_14>

Yes.

We suggest for the framework concerning the ESRS and Article 8 taxonomies:

- A number of high quality and documented example reports showing what is expected and permitted should be developed and published by ESMA.
- Facility for dropping in label updates for different languages that can happen without having to modify the underlying taxonomies should be considered. (See Q12 and our PDF Annex).

We suggest for the IFRS accounting taxonomy:

- Making use of the IFRS Accounting Taxonomy essential entry point
- Separating out ESMA specific information to its own taxonomy (as the SEC does with its DEI taxonomy)

<ESMA\_QUESTION\_ESEFEEAP\_14>

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#### 1.4. Marking up the Notes to the IFRS consolidated financial statements

**Question 15:** Do you agree that it is necessary to revise the marking up rules for the Notes to the IFRS consolidated financial statements? If not, please explain your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_15>

Yes.

We think moving to mandatory digital tagging of the notes will be beneficial for all stakeholders.

<ESMA\_QUESTION\_ESEFEEAP\_15>

**Question 16:** Do you agree with the phased-in approach and the proposed timeline? Do you also agree that the first phase should take effect with the annual financial report for the financial year when the amendment to the RTS on ESEF is published in the OJ before 30 September of the given year? If not, please explain your reasons and suggest any alternative timelines for the implementation.

<ESMA\_QUESTION\_ESEFEEAP\_16>

No – we think this proposal can be substantially improved and simplified.

Our preferred alternative is for ESMA to issue a suitable notice to the market now (2025Q2) that reporting will happen for FY2025 onwards, that is for reports submitted in FY2026 onwards.

We recommend all announcements and dates for introduction of changes to an RTS have the same effective date as the underlying reporting requirement regardless of whether the disclosure area is IFRS, ESRS or Article 8. We urge ESMA to treat the digital requirements as the mere “digital twin” of the relevant disclosure rule.

Ideally, the end state (full detailed tagging) should be required from the start but ESMA can give preparers a grace period of one or two years. During the grace period, undertakings could choose to either block tag or detail tag any given note. Once a particular note has been tagged in detail, it must be tagged in detail for all subsequent years that it forms part of the disclosure. This approach gives preparers a soft landing, whereby they decide their own priorities, as to which notes to detail tag first, and at the same time software developers can develop a consistent approach to report creation software.

<ESMA\_QUESTION\_ESEFEEAP\_16>

**Question 17:** Do you agree with the content outlined for phase one? Specifically, do you support the proposed approach to text block mark up the Notes to the IFRS consolidated financial statements? If not, please provide your reasons and suggest alternatives to marking up text blocks in the Notes to the IFRS consolidated financial statements.

<ESMA\_QUESTION\_ESEFEEAP\_17>

No, we do not support the phased approach as outlined in the consultation.

However, if phasing were to go ahead as outlined in the consultation, starting with block tagging in phase one, then adopting full, detailed tagging in phase two is logical. We just think full, detailed tagging is best pursued from the start with block tagging offered as a short-term escape-hatch for those preparers who need to make use of it during a well-defined grace-period.

The suggestions around mark up of each table on page 47 of the consultation document look to have some drafting errors (for example “dtr-type:table”) that make it somewhat difficult to comment on. However, we support linking using fact-to-fact relationships of information in the notes to information in the primary financial statements. We also support the requirement that preparers use semantic HTML (<table>) for presenting tabular data.

<ESMA\_QUESTION\_ESEFEEAP\_17>

**Question 18:** Do you agree with the content outlined in phase two? Do you think there is added value in detailed marking up of the Notes to the IFRS consolidated financial statements, particularly for all figures in a declared currency within the tables? Do you think that detailed tagging of numerical elements for which issuers should create extensions because there is no corresponding core taxonomy element provide added value? If not, please provide your reasons and suggest alternatives to detailed-marking up the Notes to the IFRS consolidated financial statements.

<ESMA\_QUESTION\_ESEFEEAP\_18>

No. We think there can be a simpler approach.

*Do you agree with the content outlined in phase two?*

No, we do not agree with the phasing. We think starting with full detailed tagging but permitting a grace-period for undertakings that need one makes the introduction of full detailed tagging simpler and quicker.

That said, the move to full detailed tagging in phase two is a good improvement over what is done today.

*Do you think there is added value in detailed marking up of the Notes to the IFRS consolidated financial statements, particularly for all figures in a declared currency within the tables?*

Yes, the digital marking up of the additional data, including numerical data will be seized upon by the user community. The user community already makes strong use of the detailed digital data from the notes in disclosures to the SEC in the USA and JFSA in Japan.

*Do you think that detailed tagging of numerical elements for which issuers should create extensions because there is no corresponding core taxonomy element provide added value?*

We think a degree of caution should be applied when introducing requirements for creating entity extension elements for entity-specific disclosures in the notes to the accounts. Extension elements are useful both for users doing time series analysis for a given entity and those standard setters and others discovering common practice elements. However, entity-specific elements are not necessarily easily or reliably comparable from entity to entity. They are likely most valuable in the face financials.

We suggest ESMA commission some independent third-party analysis of notes to determine the right trade-offs or thresholds for detailed tagging using entity-specific extension elements.

<ESMA\_QUESTION\_ESEFEEAP\_18>

**Question 19:** Do you agree with the proposal to remove the current list of mandatory core taxonomy elements outlined in Annex II of the RTS on ESEF and replace it with a more concise and targeted list of mandatory taxonomy elements? If not, please explain your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_19>

Yes, we think this is helpful.

<ESMA\_QUESTION\_ESEFEEAP\_19>

**Question 20:** Do you agree with the proposed list of mandatory elements? If not, please provide your reasons and suggest any elements that should be removed or added.

<ESMA\_QUESTION\_ESEFEEAP\_20>

Yes, we agree with the list.

We suggest an additional element "Version of software used to produce the report" in addition to "Name of software used to produce the report" as other jurisdictions have found it useful to be able to differentiate between versions of the same preparer software as well as between different software providers, particularly in a situation where one version of particular software has an issue and other versions of the same particular software do not have that issue.



We suggest an additional element “LEI of the audit firm” would be useful to capture in a dedicated element and matches the requirement for the undertaking to report using its LEI. As audit firms often operate as networks, the LEI provides an unambiguous declaration of the precise audit firm that has provided the opinion.

<ESMA\_QUESTION\_ESEFEEAP\_20>

**Question 21:** Do you agree with the revised approach towards the creation of extension taxonomy elements for the Notes to the IFRS consolidated financial statements and the principles outlined? If not, please explain your reasons and suggest alternatives.

<ESMA\_QUESTION\_ESEFEEAP\_21>

Yes

We agree with the revised approach in principle and we think the independent analysis (that we recommend in our answer to question 18) should also be used to evaluate and adjust the revised approach as necessary.

<ESMA\_QUESTION\_ESEFEEAP\_21>

**Question 22:** Do you agree with the inclusion of a review clause that would trigger stock-taking by ESMA to consider any necessary adjustments in response to the changing circumstances and to bundle these adjustments with other updates where feasible? If not, please explain your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_22>

Yes

We think ESMA should use the review to monitor how entity-specific extension elements are being used in both the notes and primary financial statements. In particular, to see whether common practice elements are being developed, and used, to replace particular entity-specific extension elements. As you are aware this is particularly important for certain industries.

<ESMA\_QUESTION\_ESEFEEAP\_22>

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## 1.5. Targeted improvements to the existing drafting of the RTS on ESEF

**Question 23:** Do you agree with the proposals for the targeted amendments to the RTS on ESEF? If not, please explain your reasons and suggest alternatives. In your response, reference specific proposals by proposal number.

<ESMA\_QUESTION\_ESEFEEAP\_23>

We have chosen not to comment on the draft RTS legal text.

<ESMA\_QUESTION\_ESEFEEAP\_23>

**Question 24:** Are there any additional targeted amendments that could be brought to the RTS on ESEF which are not considered in this proposed list? If yes, please provide additional comments, providing specific references to the RTS on ESEF and concrete wording proposals for ESMA to take into consideration.

<ESMA\_QUESTION\_ESEFEEAP\_24>

We have noted some enhancements in our answer to question 36.

<ESMA\_QUESTION\_ESEFEEAP\_24>

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## 1.6. Amendments to the RTS on the European Electronic Access Point (Delegated Regulation 2016/1437)

**Question 25:** Do you agree that it is necessary to amend the RTS on EEAP and with the way ESMA proposes to do so? If not, please explain your reasons.

<ESMA\_QUESTION\_ESEFEEAP\_25>

Yes

<ESMA\_QUESTION\_ESEFEEAP\_25>

**Question 26:** Do you agree with content of the proposed amendments to the RTS on EEAP? If not, please explain in which regards to you disagree and illustrate any alternative proposal.

<ESMA\_QUESTION\_ESEFEEAP\_26>

Yes

<ESMA\_QUESTION\_ESEFEEAP\_26>

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## 1.7. Annex II. Draft Cost/Benefit Analysis on the RTS on ESEF

**Question 27:** Do you agree with ESMA's high-level understanding of an approximate monetary cost associated with marking up disclosures in IFRS consolidated financial statements and the Notes to the IFRS consolidated financial statements? If you have a different view on the approximate average monetary cost per markup, please supply supporting data.

<ESMA\_QUESTION\_ESEFEEAP\_27>

No

First, we think the analysis is fundamentally flawed as it does not contextualise the cost of digital mark up within the overall cost of preparing a disclosure.

By way of analogy, one can author a dictionary of all the words in the English language without the add-on expense of putting the words in the dictionary in alphabetical order (just as one can create a company disclosure without digital mark up). For the dictionary, different contractors might charge different amounts to put the words in alphabetical order. However, it is fairly obvious that the main cost of creating a dictionary is finding all the words and defining them, not putting them in alphabetical order. A printed dictionary is orders of magnitude more useful when the words in it are in alphabetical order just as financial and sustainability disclosures are orders of magnitude more useful when digitally tagged.

There is a basic assertion – an assumption – in the CP that burden needs to be considered purely in the context of the preparation of a digitally formatted (“ESEF” formatted) corporate report. In our view this is a fundamentally flawed approach. ESMA should, instead, be looking at the marginal add-on burden associated with digitisation, comparing it to the with the benefit that all users can derive from consuming a structured digital report, instead of the costs imposed on users through the provision of analogue disclosure.

There are direct costs: the costs for each information provider or user to digitise, in their own proprietary manner the analogue report. Remember that each of them will do so somewhat (occasionally radically) differently.

Just as importantly there are indirect costs: if reports are not digitised by companies themselves, users and information providers will deal with chosen subsets of companies and/or reports. Access is restricted, largely to professional investors with the budgets to swallow these costs.

We are living in a digital age and the idea that companies can ignore that fact for an extremely extended period (the timeframes set out in draft extend out to 5 years) simply doesn’t stand up to scrutiny.

The work involved in preparing a digital report is appreciable (and measurable). However, the alternative to introducing digital reports is:

- A bifurcated set of users: those that can afford the significant costs associated with information provider feeds, and those that cannot (unfortunately this typically includes policy makers, regulators and supervisors).
- A bifurcated information set: information providers economic interests are inevitably (this is not a criticism) prioritised towards the large and more liquid end of the market. Smaller member states and smaller companies will not get prioritised. It seems clear that sustainability disclosures accessible to subscribers to an information provider’s services (converted into a proprietary format by those information providers) will not contain comprehensive granular narrative data. Machine learning and AI (as well as plain old original human beings) are vastly more analytically capable when they can compare short, directly comparable, “snippets” from multiple disclosures.

The CP asserts that the burden associated with digital disclosure must be considered in isolation to the work that the European Commission accepts is required to source, aggregate, review and control all of the information needed to produce a financial report. This, even though the only way that a wide variety of users can discover, screen (filter), and assess those reports is if they are structured digital disclosures. The proposed approach to measuring burden doesn’t work. In an increasingly digital age, analogue reports are rapidly becoming irrelevant.

The analysis also does not acknowledge the benefits of digital to users of the data.

Second, we think the costs identified in the CP are substantially higher than that available in the marketplace. We note that our colleagues at XBRL Europe have done a short survey (just of outsourced providers) and we recommend their submission in this area. Ideally, ESMA would seek a comprehensive and independent study based on actual software and service invoices.

<ESMA\_QUESTION\_ESEFEEAP\_27>

**Question 28:** Do you agree with ESMA's high-level understanding of an approximate monetary cost per markup and other additional costs associated with marking up disclosures of sustainability reporting? If you have a different view on the approximate average monetary cost per markup, please supply supporting data.

<ESMA\_QUESTION\_ESEFEEAP\_28>

No.

We have seen reports that suggest a far lower cost per markup. Please discuss the survey carried out by our colleagues at XBRL Europe.

<ESMA\_QUESTION\_ESEFEEAP\_28>

**Question 29:** Do you agree with the above-mentioned possible costs and benefits developed by ESMA with respect to defining the rules to mark up the sustainability statements? Which other types of costs or benefits (qualitative and/or quantitative) would you consider in that context?

<ESMA\_QUESTION\_ESEFEEAP\_29>

No

We support option 2, comprehensive, detailed marking up.

The following costs or benefits are important to consider:

- The analysis must consider users as well as preparers
- The cost estimates look significantly higher than found in practice
- There are at least three different approaches to tagging and they have significantly different monetary and temporal costs
- First year tagging effort (and data acquisition efforts) will be significantly higher than in subsequent years.
- More advanced approaches to Tagging bring with them a range of benefits in terms of quality and the instantiation of more effective controls that lower the risk of material misstatement.
- Tagging software (whether used directly or via outsourcing) will significantly improve year on year providing the regulation remains stable as development effort can go into productivity enhancements rather than basic compliance.

<ESMA\_QUESTION\_ESEFEEAP\_29>

**Question 30:** Do you agree with the above-mentioned possible costs and benefits developed by ESMA with respect to the use of a list of mandatory elements for marking up the sustainability statements? Which other types of costs or benefits (qualitative and/or quantitative) would you consider in that context?

<ESMA\_QUESTION\_ESEFEEAP\_30>

No.

ESRS already has its own internal definition of mandatory reporting. ESMA should just ensure that undertakings adhere to the mandatory disclosure requirements built-in to ESRS/CSRD, in particular that mandatory reporting is done in digital as well as analogue form.

<ESMA\_QUESTION\_ESEFEEAP\_30>

**Question 31:** Do you agree with the above-mentioned possible costs and benefits developed by ESMA with respect to defining the rules for marking up Article 8 sustainability disclosures in the sustainability statements? Which other types of costs or benefits (qualitative and/or quantitative) would you consider in that context?

<ESMA\_QUESTION\_ESEFEEAP\_31>

Yes

We think Article 8 reporting will be much more accurate (fewer estimated data points) and lower cost once comprehensive ESRS reporting has started. Article 8 reports should be derived from ESRS reports.

<ESMA\_QUESTION\_ESEFEEAP\_31>

**Question 32:** Do you agree with the above-mentioned possible costs and benefits developed by ESMA with respect to the review of the current marking up approach for the Notes to the IFRS consolidated financial statements? Which other types of costs or benefits (qualitative and/or quantitative) would you consider in that context?

<ESMA\_QUESTION\_ESEFEEAP\_32>

No

We support option 2, comprehensive, detailed marking up. We think the following costs/benefits should be considered:

- The hidden costs of not tagging reports, i.e. the costs to users of the report
- The advantages of having rich, detailed, machine readable data for users, preparers and auditors
- Consistency of approach between IFRS, ESRS and Article 8 reporting

<ESMA\_QUESTION\_ESEFEEAP\_32>

**Question 33:** Do you agree with the above-mentioned possible costs and benefits developed by ESMA with respect to the review of the list of mandatory elements under Annex II to RTS on ESEF? Which other types of costs or benefits (qualitative and/or quantitative) would you consider in that context?

<ESMA\_QUESTION\_ESEFEEAP\_33>

Yes

<ESMA\_QUESTION\_ESEFEEAP\_33>

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## 1.8. Annex III. Draft Cost/Benefit Analysis relating to the amendment to the RTS on the EEAP

**Question 34:** Do you agree with the assessment of costs and benefits developed by ESMA with respect to the review of the RTS on EEAP?

<ESMA\_QUESTION\_ESEFEEAP\_34>

Yes

<ESMA\_QUESTION\_ESEFEEAP\_34>

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## 1.9. Annex IV. Legal text RTS on ESEF

**Question 35:** Do you agree with the proposed drafting amendments to the RTS on ESEF? If not, please explain your reasons and suggest alternatives. In your response, reference specific sections and paragraphs of the RTS on ESEF (i.e., Annex III, paragraph 1).

<ESMA\_QUESTION\_ESEFEEAP\_35>

We have chosen not to comment on the draft RTS legal text.

<ESMA\_QUESTION\_ESEFEEAP\_35>

**Question 36:** Are there any additional drafting amendments that could be brought to the RTS on ESEF which are not considered in this draft legal text? If yes, please provide additional comments, providing specific references to the RTS on ESEF, underlying reasoning and concrete wording suggestions for ESMA to take into consideration.

<ESMA\_QUESTION\_ESEFEEAP\_36>

Yes

We suggest ESMA updates the RTS so as to give the reporting manual statutory effect. This will need a governance process including adequate consultation on changes to the reporting manual. This change will have the significant benefit that issues can be dealt with accurately and promptly by ESMA in the reporting manual as they arise rather than in RTS legalese with a 1-3 year lead time as happens today.

This change then paves the way for further changes to the RTS. All technical lists and requirements can be moved from the RTS to the reporting manual.

As noted in other answers, we think taxonomy label translation improvements could be handled via EFRAG working with appropriate national bodies as needed independently of the RTS translation process.

ESMA's ESEF reporting manual should be issued in draft form with a pre-determined consultation and update period prior to it being finalised. Once finalised, there should be a number of months (perhaps 6 months) before it becomes effective and replaces all prior versions.

<ESMA\_QUESTION\_ESEFEEAP\_36>

