**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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# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | XBRL Europe (Sustainability Working Group and ESEF Working Group) |
| Are you representing an association? |[x]
| Country/Region | Europe |
| Activity |[x]  Information provider (issuer, undertaking or preparer) of corporate reports subject to digitalisation requirements in the EU |[ ]  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) |
|  |  |  |[ ]  Non-public interest entity (large non-listed EU company, including large EU company with securities only listed outside EU regulated markets)  |
|  |  |  |[x]  Non-public interest entity (large non-EU company with securities listed in EU regulated markets)  |
|  |  |  |[x]  Non-public interest entity (SME listed in EU regulated markets)  |
|  |  |  |[ ]  Other (provide comment): Click here to enter text. |
|  |[x]  User of digitalised corporate reporting from EU companies |[ ]  Investor |
|  |  |  |[x]  Data analyst |
|  |  |  |[ ]  Data aggregator |
|  |  |  |[ ]  Asset manager |
|  |  |  |[ ]  Other (provide comment): Click here to enter text. |
|  |[x]  Software provider |
|  |[x]  Auditor of corporate reporting subject to digitalisation requirements in the EU |
|  |[x]  Other (provide comments) | Working group with information providers, users, software providers, auditors |

# Questions

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>

Notwithstanding our views on the phased approach expressed in Questions 2, 3 and 4, we agree with the three pillars of the assessment framework as outlined in the Consultation Paper (CP) in relation to developing the marking up rules.

Rationale:

Clear definitions of levels 1, 2 and 3: We note that the application of the first pillar of the framework (ESRS architecture) is inconsistent between the CP text and the proposed Regulatory Technical Standard (RTS) text. This inconsistency could give rise to different interpretations for the marking-up rules and the phasing-in.

The definitions of these levels in section 10 of the consultation paper are not consistent with how they are described in the proposed RTS (Annex II, 5d, 6b, 7b). In the CP, Level 1 is correctly defined in terms of the ESRS standard requirement while Levels 2 and 3 are confusingly defined in terms of the structure of disclosures as reported by the undertaking. For example, the definition of Level 2 is: “Narrative individual datapoints to be generally reported as separate items in a list of letters: (a), (b), (c), etc.”. We note that there is no requirement in the standards in relation to how undertakings number or classify the disclosures within their reports. The definitions in the CP make an implicit assumption that all undertakings will structure their disclosures exactly as the standards themselves are structured. Therefore, the consistency of the application of the rules, including the application of the phasing-in, will be dependent on the extent to which the above assumption materialises. We don’t expect it to do so. We also point out that in some EU languages this numbering/listing may not be used.

The proposed RTS text appears to be more robust and describes these levels according to the ESRS standards structure. We urge ESMA to acknowledge these inconsistencies and clarify that levels are defined as required by the ESRSs themselves and not as structured by undertakings in their reports. This will provide a more solid footing for marking-up decisions and conversations between preparers and assurance providers.

It is widely reported amongst our members, following the publication of the first AFRs with ESRS disclosures, that when trying to map Level 2 and Level 3 disclosures to the taxonomy elements, there are many instances where it is challenging to distinguish between the two.

Complexity of the rules: The CP does a good job of explaining the approach behind the decision-making process for the rules and the phased approach. However, we note that the resulting rules are significantly complex with the phasing being different for each level and/or each datatype for different areas of the standards. The process to determine what level should be marked up at each phase and for each section of the standards will be painfully slow and susceptible to error. An entity will also need to re-determine the phase they are in each year depending on the phasing rules, their size and any other changes, including to the RTS, since their previous disclosure.

Our proposal: We propose that a clearer assessment framework for phasing in would be to just consider the top sections of the sustainability standards and/or the data types that ESMA wishes to collect at each phase.

If levels are to be maintained as part of this framework, we propose the following. The prototype taxonomy published with this consultation is of course going to change a few times before implementation (at the very least to incorporate subsequent versions of the IFRS taxonomy). We propose to take advantage of these opportunities, to incorporate clear indicators in the taxonomy (e.g. within the standard labels or the documentation labels), to enable users to instantly distinguish between phases 1, 2 and 3. This will save the preparer from having to refer to the marking-up rules AND the standard for each marking-up decision. A less desirable solution, but still an improvement on the current taxonomy, would be to include indicators for each of the three levels (this information is currently not included in the taxonomy). In this scenario the user would still need to check which levels are required by the RTS for each area of the ESRSs, but will not have to confirm what level each disclosure is during the selection process. Including both the phase and level will enable software to display comprehensive information to their users at the point of marking up.

<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>

No, we do not agree with the proposed phased approach and the proposed timeline and we outline our reasons below.

Our members advocate for full digitalisation of ESG reports from the outset to enhance user experience and data consumption. This approach should be complemented by clear rules for tagging to ensure a smooth process and high-quality data. Historical precedents suggest that a straightforward approach to digitalisation is more effective than a phased approach. Also, alignment on the date with IFRS consolidated financial statements is crucial.

Rationale:

User Experience and Data Consumption: Partial digitalisation will lead to confusion and inefficiency for users who expect comprehensive digital data. Once the data is prepared, it should be fully digitalised to avoid users resorting to less efficient methods. This ensures that users can fully benefit from the new ESG disclosures. Digitalisation should proceed without phasing.

Auditors' Concerns: There are significant concerns about the increased workload and new tasks associated with assurance work. A phased approach is preferred by some auditors to manage the volume of data points that need to be checked. However, it is crucial to address these concerns without compromising the goal of full digitalisation.

Clear Rules for Creating, Auditing and Validating: The main challenge is not the volume of work but the clarity of the rules, which can lead to discussions and additional work and cost for the issuer. Clear rules for tagging are essential to reduce workloads on both the creation and auditing sides and to ensure better data quality for users.

Historical Precedents: Previous attempts by the Commission to phase in frameworks have often led to complications and transitional issues. A more straightforward approach to digitalisation from the start could avoid these pitfalls and ensure a smoother implementation process.

Readiness of XBRL Software Vendors: The XBRL community and software vendors are ready to support full digitalisation by the end of 2026. The technical infrastructure and expertise are in place to handle the requirements of comprehensive digital reporting. Software is less effort to write when it works the same way for all users, which is the case for full digitalisation from the outset. Whereas supporting phasing in requirements that are different for different customers leads to much more complicated software.

<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 do not agree with only considering an additional staggered approach based on the type of large undertakings. While we understand the need for a phased approach, the current timeline does not align with the "digital by default" principle and could be expedited.

Rationale:

Justification Concerns: The justification for giving non-PI entities more time due to their lack of exposure to XHTML or XBRL requirements is not fully convincing. Whenever these entities start, it will be new to them regardless.

Market Availability: There are products available on the market to facilitate this transition, which should mitigate the need for extended timelines.

Tallin Declaration Reference: The Tallin Declaration of 2017 emphasized a "digital by default" approach. Pushing the implementation to 2026 and further to 2027 or 2028 for non-PI entities contradicts this principle.

We suggest considering a more expedited timeline that aligns with the "digital by default" principle and leverages available market solutions to facilitate the transition.

<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. The current proposal includes different phasing in for different data types, different levels of disclosures and these are different for different areas of the ESRSs which make the implementation very complex.

Rationale:

Content Maturity: The maturity of ESG reports is a critical factor. The phasing should be based on the readiness and structure of the data in the reports, as some data might not yet be available. This ensures that the data being tagged is of high quality and ready for digital consumption.

Notwithstanding our recommendations in Questions 2 and 3, which recommend no phasing-in, if ESMA and the EC insist on a need for a phased approach we recommend this alternative approach:

A two phased approach to implementation, with phase 2 being implemented one year after phase 1.

Phase 1: All quantitative and semi-narrative information to be marked up, for all ESRSs, including entity-specific disclosures and “may” datapoints where they are disclosed. All appropriate validations in relation to marked-up disclosures to be applied.

Phase 2: All information to be marked up. All appropriate validations in relation to marked-up disclosures to be applied.

The above proposal will accelerate the completion of the implementation of digitalising ESRSs to 2027/28 year-end AFRs from the currently planned 2031/32 target, leading to accelerated benefits from digitalisation and simplify the phasing of the regulation.

This approach is far simpler than the current proposal, which involves a complex matrix of rules for different data types and levels across various parts of the standard. Simplifying the phasing will make it easier to implement and understand.

<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, clear communication and timelines are key for making the preparers aware of their reporting obligations and for users (analysts) to know when digital information will be available.

<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 agree with the approach to limit the creation of extension taxonomy elements as it enhances comparability and reduces complexity for preparers and auditors.

Rationale:

Comparability: Limiting extensions improves the comparability of data across different entities, which is crucial for stakeholders analysing the information.

Complexity Reduction: By discouraging extensions, the burden on software providers and preparers is reduced. This is because the need to create and manage custom elements and link bases is minimized.

Alternative Mechanisms: The ESRS taxonomy provides mechanisms to capture entity-specific disclosures without the need for extensions. This makes use of typed dimensions (part of the base XBRL specifications) and other methods that are built into the taxonomy.

Implementation Consistency: Ensuring that all entities follow a consistent approach to tagging and reporting will facilitate easier implementation and auditing.

Recommendation:
While we support the limitation of extensions, it is important to ensure that the rules and guidelines for using the built-in mechanisms are clearly defined and communicated. This will help preparers and auditors to correctly apply the taxonomy and maintain the integrity of the reported data.

<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, we agree with the inclusion of a review clause that would allow ESMA to conduct stock-taking and make necessary adjustments in response to changing circumstances.

Rationale:

Flexibility: A review clause provides the necessary flexibility to adapt to unforeseen challenges and evolving market conditions, ensuring that the regulations remain relevant and effective.

Proactive Adjustments: Allowing ESMA to propose changes before the final implementation phase ensures that any issues encountered during the initial phases can be addressed promptly, preventing prolonged inefficiencies.

Continuous Improvement: Regular reviews and adjustments based on practical experiences and feedback from stakeholders will contribute to the continuous improvement of the regulatory framework.

Recommendation:
While we support the inclusion of a review clause, it is important that ESMA is not restricted in its ability to propose changes only before the final implementation phase. Allowing for more frequent reviews and adjustments will enhance the overall effectiveness of the regulation.

<ESMA\_QUESTION\_ESEFEEAP\_07>

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, we agree. This fully aligns with the Article 8 standard.

<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>

Yes, we agree with only having a staggered approach on type of large undertaking and no phased approach additionally on the Mark-Up requirements.

Rationale:

User Experience and Data Consumption: Partial digitalisation will lead to confusion and inefficiency for users who expect comprehensive digital data. Once the data is prepared, it should be fully digitalised to avoid users resorting to less efficient methods. This ensures that users can fully benefit from the new ESG disclosures. Digitalisation should proceed without phasing.

Historical Precedents: Previous attempts by SEC and HMRC to phase in digitalisation have often led to complications and transitional issues. A more straightforward approach to digitalisation from the start could avoid these pitfalls and ensure a smoother implementation process.

<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>

Yes, we 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 Official Journal, and align it with the sustainability marking up.

Rationale:

Alignment with Sustainability Reporting: Aligning the marking up of Article 8 disclosures with the sustainability (ESRS) reporting ensures consistency and coherence in the reporting process. This approach facilitates a more integrated and streamlined reporting framework.

Timely Implementation: Implementing the requirement for the same or following financial year, based on the publication date, ensures that entities have sufficient time to prepare and comply with the new requirements without unnecessary delays.

Cut-off Date Consistency: It is recommended that the cut-off date for the implementation of Article 8 disclosures should be consistent with the cut-off date for IFRS disclosures, which is typically in Q3. This consistency will help avoid confusion and ensure a smoother transition.

Recommendation:
To ensure a successful implementation, it is important to provide clear guidelines and support to entities during the transition period. This includes offering training and resources to help entities understand and comply with the new requirements.

<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, we agree with the inclusion of a review clause that would trigger stock-taking by ESMA to consider any necessary adjustments in response to evolving circumstances.

Rationale:

Flexibility and Adaptability: The review clause allows ESMA to monitor the implementation of the markup requirements and propose necessary adjustments based on challenges encountered by undertakings, user needs, and technical developments. This ensures that the framework remains relevant and effective over time.

Simplification and Efficiency: A more drastic approach would be to decouple the taxonomy from the RTS, allowing ESMA to update the taxonomy and reporting manuals more efficiently without the need for extensive legal processes. This would enable quicker adaptations to changing circumstances and reduce the administrative burden. This process is already successfully in use at the EBA.

Clear Mechanism: It is important to establish a clear mechanism for how these updates will be implemented, including defined consultation phases and notice periods. This ensures transparency and provides entities with sufficient time to adapt to changes.

Recommendation:
To maximize the effectiveness of the review clause, it is recommended to provide a structured framework for updates, including minimum consultation periods and clear implementation timelines. This approach balances the need for flexibility with the requirement for stability and predictability in the reporting process.

<ESMA\_QUESTION\_ESEFEEAP\_11>

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 agree with the technical approach followed by ESMA regarding the incorporation of ESRS and Article 8 digital taxonomies from EFRAG into the ESEF taxonomy framework. However, we have some concerns and suggestions for improvement.

Rationale:

Duplication and Complexity: The current approach involves duplicating link bases and copy-pasting elements, which can lead to inconsistencies and unnecessary complexity. We recommend directly importing the EFRAG taxonomy to avoid these issues.

Entry Points: It is essential to provide clear entry points for different combinations of taxonomies, such as only ESRS, only Article 8, and combined entry points. This will simplify the process for filers and ensure they use the correct versions of the taxonomies.

Extension Taxonomies: The use of extension taxonomies should be minimized. The functionalities built into the base taxonomies should be sufficient to meet the tagging requirements without the need for extensions.

Anchoring Mechanism: The anchoring mechanism is based on financial statements, not on ESRS. It should be clearly defined and implemented how anchoring should be applied on ESRS statements to ensure consistency and clarity in the taxonomy frameworks. Specifically, ESMA's wider-narrower arcrole definition should be expanded in order to be used broader as proposed.

User Experience: The approach should consider the user experience, ensuring that the information is easily accessible and understandable for those using the taxonomy.

<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, ESMA should consider using the EFRAG taxonomy files 'as-is' without developing a 'technical' extension, similar to the one developed for IFRS accounting taxonomy scope.

Rationale:

The introduction of a technical extension, such as the anchoring mechanism, may create confusion and complexity. Using the EFRAG taxonomy 'as-is' would simplify the process, allowing stakeholders to learn and use a single taxonomy. While extensions are discouraged, they should be permitted under certain circumstances to accommodate specific needs. The current proposal suggests that extensions for Article 8 are not allowed, which aligns with the goal of maintaining consistency and clarity in the taxonomy framework. However, it is important to clearly define what is permitted and recommended to avoid any ambiguity.

This approach ensures that the taxonomy remains straightforward and accessible, while still allowing for necessary adjustments when required. It is crucial to provide clear guidelines on the use of extensions to prevent any potential confusion among stakeholders.

If entity extension concepts are going to be supported by ESMA for ESRS in the same way as existing IFRS extensions then ESMA will need to provide an abstract element for compliance with RTS Annex IV paragraph 7. However, our preference would be that filers use the built-in ESRS extension mechanisms and avoid creating extension concepts and linkbases.

<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, here are our suggestions for the future ESEF taxonomy framework and how ESMA can further reduce the burden for reporting entities:

* Engagement with vendors: ESMA should increase engagement with software vendors. New ideas should be exposed and discussed with the software community ahead of being published for consultation to avoid fatal flaws and save time. Additionally, ESMA’s proposal for an XBRL element for disclosing the XBRL Report creation software will help ESMA to see which vendors and/or filing service providers are not meeting the expected data quality level and will help the vendors to improve the software.
* Clear Guidance and Examples: Providing clear guidance and examples can help users understand and apply the taxonomies correctly. This includes offering example reports and detailed instructions on how to tag different elements.
* Avoiding Duplication and Confusion: ESMA should consider avoiding the duplication of link-bases and the copy-pasting of parts of the taxonomy. Instead, they should import the taxonomy entirely to prevent confusion and inefficiencies.
* Flexibility in Application: There should be some flexibility in the application of the taxonomy to accommodate different reporting needs. This includes allowing for the combination of certain elements and providing options for different entry points.
* Connection to Financial Statements: It is important to maintain the connection between the ESEF taxonomy and the financial statements. This ensures that the reporting is comprehensive, and that all relevant information is included.
* Addressing User Concerns: ESMA should address the concerns raised by users, such as the complexity of managing multiple taxonomies and the need for better tools and support.
* By implementing these suggestions, ESMA can help reduce the burden on reporting entities and make the process of using the ESEF taxonomy framework more efficient and user-friendly.
* We would recommend the addition of a new entry-point for filers applying only ESRS and Article 8 (excluding IFRS)

<ESMA\_QUESTION\_ESEFEEAP\_14>

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 agree.

**Block tags and detail tags**

The benefits of block tags and detailed tags should be made clear:

* **Block tags** provide some benefits, though minimal compared to detailed tags:
	+ Reliable navigation to a note
	+ Highlighting and easy selection during note content analysis
* **Detailed tags** are crucial for analysis as they facilitate drill-down from the financial statements.

ESMA describes several use cases for text block markups in §150 of the consultation. We believe that ESMA should offer its perspective on block text markups to support their requirements in this matter.

**RATIONALE**

The market will benefit from the notes being tagged and substantially enhance the utility of the ESEF mandate – as long as the focus is on tagging the key financial measures in the notes to the accounts.

<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>

**16.1. Publication in OJ**



ESMA should consider publishing in OJ in Q1-Q2.

**RATIONALE**

It appears that in some countries, there are concerns about the timeline for software readiness in relation to the publication of the official journal. However, a six-month delay seems reasonable, as the publication date of the official journal is not when the software starts working; it is usually ready beforehand.

We believe that if there were a clear announcement in 2025 that everything would start in 2027, regardless of the publication date in the official journal, people would have 18 months to prepare.

Digitalisation should commence from the start, but the market would get a two-year grace period. Some notes could be marked up in the first year and a few more in the second year, or issuers might do it all upfront if their software allows it.

**16.2. Phasing**

ESMA should consider reducing the phasing for the digitalisation of financial statements.

If the phases remain as described in the consultation, a two-year delay between phase 1, which aims to reduce the current burden, and phase 2 of full detailed tagging do not seem necessary.

Our proposed phasing is detailed in Question 17

**RATIONALE**

As a general observation, we believe that any sort of phasing in, whether for financial statements or sustainability reports, undermines the entire digitalisation project. It is not very motivating to tell people that they will not see the first benefits or usability of digital documents until 2029.

The slow progress of digitalisation impacts our ability to demonstrate its benefits. Until we reach the end point, the XBRL data set will be seen as incomplete, and less efficient methods than XBRL will continue to be used to extract information from financial statements.

<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>

**17.1 Phasing**

**We consider that ESMA's current approach is too long and complicates the transition**.

* Faster **full digitalisation** is preferable.
* If phasing is required, it should be limited to **two phases over two years** to **accelerate the transition while ensuring quality**.
* It is crucial to **align the timeline with IFRS requirements and investor expectations**.

**We recommend to a**dopt a **simplified and accelerated** approach to avoid fragmented digitalisation and maximize the benefits of digital tagging.

We believe that the content of Phase 1, which aims to simplify current requirements, does not represent a step towards Phase 2, which involves full detail tagging.

We propose a phased approach where Phase 1 serves as a simplified version of Phase 2, allowing the burden of detailed tagging for preparers and auditors to be spread over two years.

ESMA should consider outlining the goals of digitalising financial statements as follows:

* Detailed markup of primary financial statements with extensions and anchoring.
* Block tagging of all accounting policies and significant disclosures with the aim of achieving “Disclosure navigation and highlighting text block markups to allow users to quickly navigate and find specific disclosures through search or taxonomy browsing in an Inline XBRL viewer.” (§150.b)
* Detailed tagging of significant information in tables and narratives.

The phasing should be flexible, enabling preparers and auditors to progress at their own pace, with the option to voluntarily anticipate full tagging requirements. There should be precise guidance for each phase:

Phase 1:

* Full markup of financial statements (already achieved).
* Simplified text block markup of accounting policies and most appropriate individually identifiable explanatory notes, excluding table text blocks not supported by the IFRS taxonomy. The tagging of notes could be limited to text blocks present in the IFRS taxonomy at the highest level of granularity (this excludes dimensioned text blocks). The highest-level of granularity needs to be clearly defined.
* Voluntary detailed tagging of monetary values that disaggregate primary financial statement line items.

Phase 2:

* In addition to Phase 1, mandatory detailed tagging of all disclosures required by the IFRS, including IFRS 18 requirements related to management-defined performance measures with a minimal number of extensions (extensive extension concept creation should be discouraged). To limit extensions, the markup requirements could be limited to only those elements present in the IFRS taxonomy (with extensions limited to combinations of core elements).

Subsequent Phases:

* Digitalisation of more frequent reports (for example: half-yearly and quarterly reports).

ESMA should assess the quality of the digital disclosures after the reporting period, where full detailed tagging is required, and take measures to improve the quality of the digital disclosures if needed based on a solid assessment of the data. This would enable to gradually extend the ESEF/IFRS taxonomy to include common practice elements required by the market.

**RATIONALE**

The proposed Phase 1 and Phase 2 increase the burden on preparers and auditors, as they introduce requirements that differ from the current ones, leading to anticipated difficulties in interpretation during the interim periods.

Based on our experience with IFRS reports to the SEC, we have observed the following:

* Tagging tables with text blocks results in a significant number of extensions with table textblocks that are not present in the IFRS taxonomy.
* Detailed tagging of all types of values in the notes necessitates a very large number of extensions offering minimal benefits to data users. The recommendation would be to limit detailed tagging to most appropriate elements present in the base ESEF taxonomy
* Anchoring all types of values is not particularly relevant.

A random sample of reports submitted to the SEC shows that for the same requirements, IFRS reports need a much greater number of extensions for “table text blocks” and “text blocks” than the US GAAP reports

|  |  |  |  |
| --- | --- | --- | --- |
| **IFRS filings to the SEC** |  |  |  |
|  |   |   |   |   |   |
|   | **number of textblocks** | **tables textblocks (schedules)** |
|   | **Total** | **ifrs** | **specific** | **ifrs** | **specific [textblocks]** |
|   |  |  |   |   |   |
| total | 123 | 86 | 37 | 46 | 23 |
| sanofi | 178 | 69 | 109 | 2 | 12 |
| ing | 210 | 103 | 107 | 13 | 12 |
| db | 277 | 47 | 230 |   | 7 |
| sap | 163 | 88 | 75 | 37 | 44 |
| nok | 124 | 88 | 36 | 29 | 24 |
| tef | 157 | 99 | 57 | 43 | 49 |
|  |  |  |  |  |  |
| **US GAAP filings to the SEC** |  |  |  |
|   | **number of textblocks** | **tables textblocks (schedules)** |
|   | **Total** | **US GAAP** | **specific** | **US GAAP** | **specific [textblocks]** |
|  |  |  |  |  |   |
| **Microsoft** | **109** | **99** | **10** | **34** | **7** |
| **Nvidia** | **93** | **91** | **2** | **27** | **1** |

Regarding the audit, we have the following observations:

* The audit requirement arises from the interplay between the Transparency Directive, the Audit Directive, and the Accounting Directive. This consultation does not address these legal documents. Auditors will need to determine their procedures in accordance with the various legal documents.
* The annual report will consist of two distinct sections, on which the auditor and/or assurance provider will perform separate tasks to ensure ESEF compliance.
* The auditor can only audit or assure the document that the company actually prepares.

It is crucial that clear rules for tagging and validating the report are defined to reduce workloads on both the preparers and the auditors and to ensure better quality for users.

**We have carried out a thorough review of the proposal, paragraph by paragraph with the aim of clarifying the requirements and avoiding any inconsistencies between the proposed amendments and the draft RTS. The answers are numbered from 17.2. to 17.8.**

**17.2.** **6.2.2 Information to be marked up in each phase §157.**

**ESMA should consider defining the granularity to "individually identifiable explanatory notes" rather than making it dependent on the headings, sections, and sub-sections of the human-readable document.**

**RATIONALE**

The Accounting Directive requires in Art. 16:

“Where notes to the balance sheet and profit and loss account are presented in accordance with this Chapter, the notes shall be presented in the order in which items are presented in the balance sheet and in the profit and loss account.

If the directive has been transposed in all EU countries and is applicable and enforceable to IFRS financial statements, it appears to pertain to the higher level of notes rather than the headings and sub-headings in a report. The IFRS taxonomy presentation linkrole structure does not adhere to this principle."

**17.3. 6.2.2 Information to be marked up in each phase §158.**

##### a) Text block marking up the Notes (RTS draft ANNEX IV Marking up and filing rules b) § 16 and § 17)

### We believe ESMA should make reference to IFRS guidance to regulatory bodies to define clearly the required granularity of the tags.

### Reference could be made to the level of the element in the roles of the taxonomy, or to a hierarchical presentation.

**The third bullet point: “Minimising nested- or multi-marking up” has no corresponding requirement in the draft RTS.**

**RATIONALE**

There is confusion between the text block mentioned in the title and the XBRL elements [Textblock]. This should be clarified as defined in Annex V: 'A single fact XBRL element that covers the meaning and contents of a note or section of text, pasted or inserted on top of the note in the human-readable annual report.' This definition refers to a note or a section rather than an individually identifiable explanatory note.

The proposal and example create confusion and multiple interpretations. The granularity of the tagging is therefore not defined. Further confusion arises from the fact that the IFRS taxonomy includes a list of notes (currently used as a mandatory list that results in extensive multi-tagging) and many other explanatory disclosures that are more granular. The draft RTS mentions only 'Textblocks', therefore 'Strings' are excluded.

The reference to a heading/section/subsection structure is confusing and will vary from company to company, as the granularity of the tagging seems to depend on the presence or absence of headings and sub-headings.

**17.4. 6.2.2 Information to be marked up in each phase §158.**

### a) Text block marking up the Notes

##### Figure 11: Illustration of sections, sub-sections or sub-sub-sections that are individually identifiable

We do not believe that the illustration gives a clear view of the mark-up requirement.

**RATIONALE**

How are “identifiable other explanatory note” defined? The example does not seem to be consistent with the guidance:

*“*Conversely, for sub-section 5.3, the issuer has not provided sub-headings for information that could be marked up individually (see defined contribution plans vs. defined benefit plans paragraphs) and is therefore only marking up the whole section with one markup only.”

**17.5 ILLUSTRATION**

The illustration does not give a clear view as sub-section 5.3 paragraphs are not tagged. There is confusion between an “individually identifiable information and a “single narrative disclosure”.

**RATIONALE**

Does this mean that sub-headings create individually identifiable information? Each paragraph of that note is individually identifiable and could be marked up with a base taxonomy element.

*“where possible, avoiding nested or multi- marking up within an individually identifiable accounting policy or other explanatory note. If the entire accounting policy or other explanatory note are marked up using more granular core taxonomy elements, the issuer may omit an additional markup using a broader parent taxonomy element.”*

The example does not illustrate this requirement: if all sub-headings are tagged as accounting policies, why should the title be tagged separately? This does not prevent multi-marking up when multiple disclosures are presented in a single narrative disclosure.

“*broader parent taxonomy element”:* this information is not conveyed by the taxonomy as there is no hierarchical presentation of the disclosures.

**17.6. 6.2.2 Information to be marked up in each phase §158.**

### a) Text block marking up the Notes

### ESMA should consider defining the granularity level of tagging as follows:

### - The elements of the taxonomy defined as textblocks except those that are present in dimensional structures.

### - The elements that have a IFRS reference could be considered with a higher priority than the common practice elements (except for accounting principles).

The granular tagging would be very clear to all stakeholders if the elements were classified in a hierarchical structure. This would help the relations between granular tags with the tag of a larger block.

**RATIONALE**

The SEC requires that 'an instance must contain facts containing each complete footnote,' which is a much higher level than detailed tagging of narrative.

We support either a simple SEC-style approach or a more detailed method that should not lead to extensive multi-tagging.

**Granularity of textblocks in the IFRS 2024 taxonomy:**



**Types of elements in IFRS 2024 taxonomy:**



**17.7. 6.2.2 Information to be marked up in each phase §158.**

b) Separate and individual **mark up of each table (first bullet)**

**We propose to remove the text block tagging of tables:**

~~Information presented as a tabular format disclosed within the notes that provide structured, granular information to an accounting policy or other explanatory note.~~

**We consider that this paragraph refers to a formatting issue that does not affect tagging**

Appropriate structural XHTML elements for tables should be used, in particular <table>, <tr> and <td> to mark-up table rows and columns.

**RATIONALE**

There are several ways to interpret this proposal. A table is not defined in XBRL; the correct term is 'structural element': taxonomy elements that are technical constructs for cubes, dimensions, domains, and domain members. Structural elements are not necessarily presented in tables in the human-readable document.

The IFRS guide to preparers also mentions:

“*A table consists of line items, axes and members to permit tagging of individual disclosures such as ‘The gross carrying amount of property, plant and equipment’ or ‘Depreciation for individual classes of property, plant and equipment’. The IFRS Taxonomy also contains a text block element ‘Disclosure of detailed information about property, plant and equipment [text block]’ to permit tagging of the disclosures, in their entirety.*

***Tables and human-readable tabular display formats***

*161 IFRS Taxonomy tables do not prescribe or guide how IFRS disclosures should be presented in human-readable financial reports. In particular:*

*(a) the layout of a group of disclosures in a table in a report does not need to match the layout of the IFRS Taxonomy table for the tags to be applicable;*

*(b) the use of IFRS Taxonomy tables does not imply that entities need to provide a particular grouping of disclosures in a table within their report unless this is specifically required by IFRS Standards; and*

*(c) IFRS Taxonomy tables can be used to tag disclosures that are not physically presented in a table within a report.*

- If the requirement pertains to the format of an HTML table, this is a formatting issue in XHTML, and no specific tagging is involved.

- The markup of the values included in an HTML table is described in Phase 2.

**17.8. 6.2.2 Information to be marked up in each phase § 158.**

b) Separate and individual **mark up of each table (second bullet)**

“create relationships between the marked-up tables and the corresponding XBRL elements in the primary financial statements by using the corresponding fact-to-fact relationships defined in the IFRS core taxonomy.”

### The RTS mentions “suitable mechanisms offered by the XBRL standard.”

 The relationship should be defined with the help of XBRL International according to the exact requirement which may be different from the new arcrole defined by the IFRS Foundation.

**RATIONALE**

This appears to be a simple mistake in the proposed consultation wording. The RTS wording is correct as there are no fact-to-fact relationships currently defined in the IFRS Taxonomy.

The current arcrole is ‘fact-explanatory-fact,’ intended for linking a fact with an explanatory fact in an instance document footnote link. This arcrole helps in understanding how one piece of information relates to or explains another piece of information in the financial statements or reports.

The relationship requirement should be clarified:

* The relations between a note and several facts in the primary statement, and vice versa, can be expressed using fact-explanatory-fact links.
* The relationship should only be used when there is a corresponding element in the primary financial statement.

The links should be made from figures on the primary financial statements to relevant policies and notes as they are present in the human-readable document (the numbers of the relevant notes in a ‘note’ column on the primary statement).

<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>

**18.1. 6.2.2 Information to be marked up in each phase § 160**

**We propose to suppress this sentence:**

~~Where tables are presented in the notes to the IFRS consolidated financial statements, issuers shall limit the markup to those figures expressed in a declared currency.~~

**18.2. 6.2.2 Information to be marked up in each phase § 160**

**Detail tagging should be considered voluntary in phase one if the requirement is simplified.**

**The option would be to limit the mark up to the most appropriate element of the IFRS taxonomy. Extensions should be limited to reported combinations of IFRS elements.**

**RATIONALE**

Our proposal for detailed tagging is to maintain a simple approach and avoid tagging every value as required by the SEC. This practice often results in multiple extensions that are not useful for data users. We would recommend to limit the detailed tagging to most appropriate elements that are present in the IFRS taxonomy. (see proposed phasing approach in question 17.1).

<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 agree**

<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>

**20.1. ANNEX II Mandatory markups § 3 Table of mandatory mark ups and § 162**

**Type: text ~~[~~stringItemType]**

**RATIONALE**

The type should refer to the XBRL type and should be defined in the glossary of annex I. There is very often confusion between a stringItemType and a textblockType.

**20.2. ANNEX II Mandatory markups § 3 Table of mandatory mark ups and § 163**

**Number of shares issued** **shares** **IAS 1 106 d**

The detail tagging of the role

[861200] Notes - Share capital, reserves and other equity interest

 Disclosure of classes of share capital [table]

could be anticipated.

**RATIONALE**

In the IFRS taxonomy, there are several line items for number of shares issued. The RTS should refer to a precise element.

**Name of the audit firm** **text**

**Unqualified audit opinion with no emphasis of matter** **Boolean**

ESMA should rethink the whole process about auditing and signatures and audit opinion.

ESMA should assess whether it makes more sense to introduce different elements in order to ensure use cases where the undertaking has several auditors and/or different auditors and/or differing opinions for the financial statements and sustainability statements.

At minimum and not to confuse issuers of what is required, why not tag the role that is present in the IFRS taxonomy: [880000] Notes - Additional information.

**RATIONALE**

This is confusing as there may be more than one audit firm involved and there are different opinions: true and fair view, XBRL mark-ups, sustainability disclosures, sustainability mark-up.

ESMA should consider using the same list of auditors as the SEC does in the LEI taxonomy, providing it includes all audit firms in Europe.

There are countries like Denmark and the Netherlands that have implemented an XBRL taxonomy for the auditor's statement and they have mandated its use alongside the annual financial statement reporting. Similar movement is also in Finland and Sweden. At XBRLXBRL Europe we are in the process of starting a working group in to try to harmonise these efforts. .

**20.3. ANNEX II Mandatory markups § 3 Table of mandatory mark ups and § 164**

**Name of software used to produce the report** **text**

This should be considered in the filing requirements; the name of the software should be present in the XBRL file.

This is a metadata required for the processing or identification of the reports.

It would be better to group all technical tags: software name and version, the date of reports...

They could be grouped it in a separate section in the taxonomy and this section has tags which could be hidden.

**RATIONALE**

This is not a disclosure which is part of the financial statements and we question the fact that this requirement does not seem supported by a legal text. The only way to mark up this would be to create a hidden item (which is not allowed).

This information is comparable to the DEI taxonomy used for SEC filings for marking up the cover page of the document. This taxonomy could also be enriched and used for the ESAP filings.

<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>

**21.1. 6.2.4** **Use of Extensions** § **167. a)**

The option would be to limit the mark up to **the most appropriate element of the IFRS taxonomy.**

**RATIONALE**

In the sentence: 'Given the proposal to fully markup all notes and accounting policies using taxonomy elements that best reflect the closest accounting meaning of the disclosure, … we propose replacing 'closest accounting meaning' with 'most appropriate' element.

Not all textblocks and values that will be tagged necessarily have an 'accounting meaning.'"

**21.2. 6.2.4** **Use of Extensions** § **167. b)**

We recommend limiting the number of extensions.

An option would be to limit them to **obvious combinations of IFRS elements**.

**RATIONALE**

The limited number of extensions is justified by:

* The burden of tagging every value in the report is very heavy for preparers and auditors.
* The benefits are limited for users, as the extensions are more difficult for users of digital financial reports to understand and analyse compared to elements in a common base taxonomy.

The market will most benefit from high-quality, detailed tagging using base taxonomy elements.

We encourage ESMA to monitor and analyse the use of entity-specific extensions within their digital filing system:

* (a) to identify the use of unnecessary entity-specific extensions; and
* b) to identify patterns or trends that show local common reporting practice within their digital filing system.

**21.3. 6.2.4** **Use of Extensions §167. c)**

 **This refers to ANNEX IV** § 9 a) **of the draft RTS**

the undertaking shall anchor its extension taxonomy concept to the core taxonomy concept having the closest wider accounting or sustainability meaning and/or scope to that extension taxonomy concept of the undertaking.

**The anchoring to the closest accounting meaning should be limited to primary financial statements line items.**

**RATIONALE**

The closest accounting meaning is not applicable for the detailed tagging of notes, as not all values possess an accounting meaning (e.g., percentages, dates, booleans, etc.).

The tables and detailed tags will be anchored to the primary financial statement lines using a “fact to fact” relationship, which must be defined in accordance with XBRL International or the IFRS Foundation. They also are included in the notes textblocks.

<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>

ESMA should incorporate more review clauses. For example, after each phase, there should be checks to ensure everything is progressing correctly. Post-implementation reviews should be conducted after each phase to prevent unforeseen issues from persisting into the next phase.

**RATIONALE**

The current proposed wording in the RTS means that ESMA cannot propose any changes for four years or more until phase two of the sustainability disclosures is completed. This could extend to four or five years. New ideas will emerge, and ESMA needs to be more agile to address any unintended consequences that may not become apparent until implementation begins.

<ESMA\_QUESTION\_ESEFEEAP\_22>

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>

Yes, we agree.

<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>

**Yes, but see details in questions 35 and 36**

We recommend that the draft RTS and the Reporting manual should be made available for public review at least six weeks before official publication.

We also recommend that the reporting manual should have a dedicated authority delegated by the RTS. It should also be entirely consistent with the RTS.

It would make sense for all technical requirements like anchoring and/or specifications, and taxonomy to be taken out of the RTS and put in the reporting manual. The conformance suite for the reporting manual should be fully-aligned to the reporting manual and the suite updated as inconsistencies are discovered and resolved.

<ESMA\_QUESTION\_ESEFEEAP\_24>

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, we agree.

<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, we support the use of the Legal Entity Identifier (LEI) as the primary identifier for entities in the European Single Access Point (ESAP).

However, we encourage a higher availability of the connections from OAM's to the ESAP to 99.9%, in line with industry standards. Availability of the data is crucial for the value of ESAP.

Rationale:

Global Standard: The LEI is an internationally recognized identifier, ensuring consistency and interoperability across borders. This is crucial for entities operating both within and outside the EU.

Comprehensive Information: The LEI system includes detailed information about entities, which is essential for accurate identification and linkage to financial instruments.

Existing Integration: The LEI is already widely used in various ESMA reporting requirements, such as MiFID, MiFIR, and AIFMD, making it a familiar and reliable tool for market participants.

Independence: The LEI is managed by an independent international organization, which ensures neutrality and broad acceptance.

While alternatives like the European ID (EUID) exist, they do not currently offer the same level of detailed information and global applicability as the LEI. Therefore, we believe that maintaining the LEI as the standard identifier is the best approach for ESAP.

<ESMA\_QUESTION\_ESEFEEAP\_26>

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, we do not agree with the per markup basis for a lot of reasons.

Rationale:

We don't agree because, the costs are related to the whole preparation process. There are different costs associated with the mark up: software cost, actual preparation which may be in-house or may be outsourced, and the assurance costs which should be estimated independently from tagging. The software cost could include costs for compiling the report which have nothing to do with markup. Also, the number of rules and the number of nuances in the rules affect the cost because the software implements the rules.

The development of the software is not affected by the number of markups at all so that component of the cost is directly linked to the number of rules. The number of rules also affects the number of things the preparer has to take into consideration while doing the tagging and of course it also affects the number of rules that the auditor has to check.

As an example there is reports prepared using the XBRL taxonomy-centric report preparation approach following the XBRL taxonomy, which makes tagging straightforward (if not even automatically possible). There is many software providers on the market supporting solutions custom tailored for the ESRS. An example report can be seen here https://groupe-elo.com/app/uploads/2025/02/RFA\_ELO\_2024\_EN-1.pdf.

<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 do not fully agree with ESMA’s high-level understanding of the approximate monetary cost per markup and other additional costs associated with marking up disclosures of sustainability reporting. A digital-first approach can significantly reduce these costs by integrating tagging into the initial stages of report preparation, thereby minimizing manual labour and associated expenses.

Rationale:

Benefits of Digital-First Approach:

Cost Efficiency: Implementing a digital-first approach from the beginning can streamline the reporting process (including the tagging process), reducing the need for extensive manual labour and lowering overall costs.

Time Savings: By incorporating tagging into the initial stages of report preparation, companies can save time during the final stages of report generation.

Accuracy and Consistency: A digital-first approach ensures that data is tagged accurately and consistently, reducing the risk of errors and improving the quality of the final report.

Scalability: As companies become more familiar with the digital-first approach, the process becomes more scalable, allowing for easier adaptation to future reporting requirements.

Supporting Data and Analysis:

Current Cost Estimates: ESMA’s estimate of €20 to €60 per element tagging appears to be based on a scenario where tagging is fully externalized. This may not reflect the actual costs for companies that internalize the process.

Survey Results: A survey conducted among companies indicated that the cost of ESEF tagging is approximately €13 per tag, significantly lower than ESMA’s estimate. This suggests that internalizing the tagging process can lead to substantial cost savings.

Time Estimates: Internal assessments have shown that tagging 2,500 elements can take around 40 hours, assuming one minute per tag. This further supports the argument that internalizing the process can be more efficient and cost-effective.

Recommendations:

Encourage Digital-First Implementation: Companies should be encouraged to adopt a digital-first approach to sustainability reporting to reduce costs and improve efficiency.

Provide Guidance and Tools: Regulatory bodies should provide clear guidance and tools to help companies implement digital-first reporting practices effectively.

Monitor and Adjust Cost Estimates: ESMA should continuously monitor the actual costs incurred by companies and adjust their estimates accordingly to reflect the true cost of compliance.

Additional Considerations:

Pre-Mapped Taxonomy Tools: Many tools on the market already have the taxonomy pre-mapped to their boilerplate templates, especially for fixed tables. This can further reduce the cost and time required for tagging.

Structured Reporting: Early reports have shown that structured reporting, where disclosures are clearly mapped to the standards, can simplify the tagging process. Companies should be encouraged to adopt such practices.

Guidance on Data Points: Companies can utilize resources like the EFRAG Excel sheet, which lists various data points and their corresponding tags. This can help in adopting a taxonomy-centric approach early on, making the transition to digital reporting smoother.

Spreadsheet Mapping: Companies can start with a simple spreadsheet mapping of their data points to the taxonomy, which can be done without the need for expensive tools initially. This approach can make the process more cost-effective and manageable.

Impact of Not Implementing Tagging:

Increased Costs for Data Users: Without tagging, data users such as investors will face higher costs in accessing and analysing the data, as they will need to manually extract and process the information.

Disruption in Market Efficiency: The lack of standardized, tagged data can lead to inefficiencies in the market, as investors and other stakeholders will struggle to obtain consistent and comparable information.

Higher Costs for Companies: Companies may face higher costs in responding to individual data requests from investors and other stakeholders, as they will need to provide the information manually.

By adopting a digital-first approach and providing the necessary support, we can ensure that the costs associated with marking up disclosures of sustainability reporting are minimized, leading to more efficient and accurate reporting practices.

Increased Costs for Filers: Annual changes in reporting requirements necessitate that companies revisit and adjust their tagging and reporting processes each year. This leads to additional costs in terms of time and resources spent on understanding and implementing the new requirements.

Continuous Adjustments: Companies need to continuously update their systems and processes to accommodate new tagging requirements, which can be both time-consuming and costly. This prevents them from reaching a steady state where processes are streamlined and costs are minimized.

Complexity for Data Users: For data users, annual changes mean that they need to constantly adapt to new formats and tagging structures. This increases the complexity and cost of data extraction and analysis, as they need to update their systems and processes to handle the new data formats.

Disruption in Reporting Consistency: Frequent changes can disrupt the consistency of reporting, making it difficult for stakeholders to compare data across different periods. This can lead to inefficiencies and increased costs in data analysis and decision-making.

These drawbacks highlight the importance of minimizing annual changes to reduce costs and improve the efficiency and consistency of reporting processes.

<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>

We do not fully agree with the possible costs and benefits developed by ESMA with respect to defining the rules to mark up the sustainability statements. Our assessment highlights several key points and additional considerations:

Rationale:

Disagreement with Cost Estimates:

The actual costs of tagging might be lower than ESMA's estimates. Initial costs may be higher due to the learning curve, but these are expected to decrease over time as companies become more familiar with the process and as automation improves.

Include all stakeholders:

The cost-benefit analysis is focussed on the filers side, but the value of digital data for all stakeholders is not taken properly into account. We suggest to extend the analysis with views from different stakeholders such as analyst and society overall.

Outsourcing vs. Internal Tagging:

The cost assessment should consider whether the tagging is outsourced or done internally. Outsourcing might be more common, especially for smaller companies or those new to XBRL, which could increase costs.

Learning Curve and Automation:

Initial costs might be higher due to the learning curve, but these are expected to decrease over time as companies become more familiar with the process. Automation and built-in solutions could further reduce costs in the long run.

Benefits of Structured Data:

Structured data offers easier peer analysis and comparison, helping companies improve their sustainability reporting. It also reduces the cost and effort required for data users to extract and analyse information.

Market Innovation:

There is potential for market innovation to reduce costs, particularly with the development of specialized CSRD solutions that integrate tagging capabilities, making the process more efficient and less costly for smaller companies.

Qualitative Benefits:

Improved transparency, better comparability of sustainability data, and enhanced decision-making for investors and other stakeholders are significant qualitative benefits that should be considered in the overall assessment.

Hidden Costs of Not Tagging:

It is crucial to consider the hidden costs associated with not tagging reports. These include the increased effort and expense for data users to manually extract and analyse unstructured data, which can be significantly higher than the costs of tagging.

Impact on Auditing:

The RTS consultation has not considered the cost and benefits of audit in its analysis. It is important to have a separate analysis which also includes this perspective.

Phased Implementation:

A phased implementation approach might lead to higher overall costs due to the need for multiple implementation projects. A comprehensive approach from the start could be more cost-effective in the long run.

In summary, while there is some disagreement with ESMA's cost estimates, the potential for reduced costs through learning, automation, and market innovation, as well as the significant qualitative benefits and hidden costs of not tagging, should be considered in the overall cost-benefit analysis.

<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>

There is no need for a mandatory tag list for marking up sustainability statements. The current approach, where disclosures are tagged with appropriate tags, is sufficient. Introducing a mandatory tag list would add unnecessary complexity.

Rationale:

The costs and benefits developed by ESMA regarding the use of a list of mandatory elements for marking up sustainability statements have been considered. However, it is noted that there is no attribute for level 2 and level 3 texts in the taxonomy, making it impossible to clearly define these levels for each element. This lack of clarity leads to confusion and unnecessary complexity.

The preferred approach is to avoid a mandatory tag list. Instead, disclosures should be tagged with appropriate tags as they are currently. This method is simpler and avoids the confusion associated with defining and implementing a mandatory tag list.

Additionally, the phasing-in rules for different levels and parts of the standard add to the confusion. A more straightforward approach would be to eliminate phasing-in altogether. If phasing-in is necessary, it should be simplified, for example, by having only two phases, one year apart, with non-narrative elements addressed first, followed by narrative elements.

In summary, the current approach of tagging disclosures with appropriate tags is sufficient and avoids the unnecessary complexity and confusion associated with a mandatory tag list and phased implementation.

<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>

We agree with the possible costs and benefits.

<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>

We do not fully agree with the cost benefit analysis provided and would like to express that we are in favour of option 2.

Rationale:

Hidden Costs: The analysis does not adequately account for the hidden costs associated with not tagging reports. These include the increased time and effort required by users to extract information from untagged reports.

Stakeholder Consideration: The analysis primarily focuses on the costs for filers and does not sufficiently consider the benefits for other stakeholders, such as data users. A comprehensive cost benefit analysis should include the advantages of having detailed and accessible data for all users.

Consistency in Tagging: The analysis should consider the potential benefits of having a consistent ap-proach to tagging across different reporting standards (IFRS, ESRS, Article 8). This consistency can reduce costs related to software implementation and user training.

We recommend a broader cost benefit analysis that includes these factors to provide a more accurate assessment of the implications of detailed tagging.

<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, we agree.

<ESMA\_QUESTION\_ESEFEEAP\_33>

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, we agree.

<ESMA\_QUESTION\_ESEFEEAP\_34>

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>

**Yes, we made a thorough review of the RTS draft, paragraph by paragraph and the answers to question 35 are detailed below from 35.1 to 35.18**

**35.1. Article 2: definitions (2) [Proposal 3 and 4]**

**ESMA should consider removing this text:**

a. presentation linkbase, which groups the taxonomy elements used in marking up ~~and which are part of the arithmetical relationships between taxonomy elements defined by the issuer in its calculation linkbase~~;

**RATIONALE**

We do not agree with the rationale of Proposal 3, which aims to explicitly reference a reflection of the calculation linkbase in the presentation linkbase.

We believe this introduces confusion, as the presentation linkbase reflects the calculation linkbase only in the sense that all elements present in the calculation tree should also be present in the presentation tree.

**35.2. Article 2:**

**ESMA should consider replacing ~~XHTML~~ by the Inline XBRL format**

**35.3. ANNEX II Mandatory markups § a) 1. [Proposal 10]:**

## All cells representing nil- or zero- value in the primary financial statements shall also be marked up.

## ESMA should consider the following precision:

Empty cells must contain at least a “space character” (the Unicode “U+0020”) to be tagged as a 0.

**RATIONALE**

This proposal has been transferred from the reporting manual to the RTS.

We disagreed with its formulation in the 2024 reporting manual. Our comment was:

“The use of the example “ ” might lead to confusion, since it could be understood as a space character or an empty field.

Tagging an empty field would be violating the IXBRL 1.1 Specification, Section 10.1.1 which states that “The text node child, if present, MUST be a non-empty string”. In case of the guidance, the value should be understood as a 0, which requires the nonFraction Element to have one child being either another nonFraction Element or one text node according to the IXBRL 1.1 Specification, Section 10.1.1.”

**35.4. Annex II Mandatory markups** § **a) 2.a.**

**ESMA should consider discarding the following text:**

**a.** **all separately and individually identifiable accounting policies and other explanatory notes ~~taking into account the presentation structure of the notes.~~**

**ESMA should consider the following text:**

All separately and individually identifiable accounting policies and other explanatory notes must be tagged with **the most appropriate** element present in the IFRS taxonomy.

* accounting policies and other explanatory notes should, as much as possible, be marked up only once, with a single core taxonomy element,
* multi-marking up should be limited to multiple disclosures that are presented in a single narrative disclosure,
* ~~If the entire accounting policy or other explanatory note are marked up using more granular core taxonomy elements, the issuer may omit an additional markup using a broader parent taxonomy element.~~

**RATIONALE**

See comments under question 17 **§ 157.**

We understand the goal of minimizing and, when possible, avoiding multiple multi-tagging of disclosures, which we support.

 The text of the RTS should be aligned with the description in § 158 of the consultation: (see question 17).

The “most appropriate element” is the wording used by the IFRS taxonomy guide.

 Third bullet point makes reference to a hierarchy of core taxonomy elements which is not provided by the IFRS taxonomy. This is subject to interpretation.

We propose adding guidance on the selection of appropriate base taxonomy elements, particularly for detail tagging.

When choosing the most appropriate element for facts in one or more periods, the element’s link:

- reference elements take precedence over the xbrli:periodType attribute,

- which takes precedence over the type attribute,

- which takes precedence over the element’s documentation string if present,

- which in turn takes precedence over the standard label string. This guidance, as outlined in the EDGAR filing manual, provides direction on selecting the most suitable elements in the base taxonomy.

The required granularity level of tagging must be made evident in the taxonomy or in the RTS.

We propose to limit the textblock tagging:

- Option 1: to the list of accounting policies and the list of notes (this would be comparable to the requirements of the SEC filings)

- Option 2: to the list of accounting policies and the list of notes plus the textblock tags that are at level 1 of the hierarchy in the roles of the IFRS taxonomy.

Observations:

* the list of notes may need some “cleaning up” to avoid granular elements that may be included in broader elements.
* the level 1 of textblocks is not evidenced in the IFRS taxonomy.

**RATIONALE**

We are concerned about the potential confusion arising from various tagging approaches during the regulatory transition: actual multi-tagging, phase one minimized multi-tagging, and phase two detailed tagging. The possible early adoption of the new rules could result in three different implementation types.

The reference to the structure of the notes is confusing, as the structure intended for the reader of the human-readable document should not impact the granularity of the tagging.

In the IFRS taxonomy, there are 95 elements in the list of accounting policies, 139 elements in the list of notes, and 249 other textblock tags, of which 39 are level 1 textblocks.

We need precision on:

- There are disclosure or explanatory elements (about 30) that are stringItem types: should these be considered for marking up?

- There are 33 textblocks that are in dimensional structures (to be tagged as tables): should these be considered for marking up?

Tagging all detailed textblock tags would be burdensome for issuers and auditors, as many interpretations of what constitutes an individually identifiable explanatory note would arise. This would affect the comparability of reports. The benefits are not evident, as extensive multi-tagging would be necessary to relate detailed textblocks to the note textblock to which they belong. The relationship between the primary financial statements and the disclosures is considered a duplication of this multi-tagging.

**35.5. Annex II Mandatory markups** § **a) 2.b.**

Consider discarding the following text:

~~all tables disclosed within the notes that provide structured, granular information relevant to the respective accounting policy.~~

**RATIONALE**

The proposed text of the amendment is incorrect, as tables are typically not relevant to accounting policies but to explanatory notes, as stated in the proposal for this amendment.

It appears that 'table' refers to a tabular format (lines/columns) in the HTML report, and this should be clarified.

We express concerns about the inefficiency of combining block tagging of tables with detailed tagging of their content. We believe that the text block tagging of tables will result in the creation of a great number of extension elements and create unnecessary burdens for issuers.

**35.6. Annex II Mandatory markups § a) 2.c.**

**ESMA should consider rewriting this requirement:**

Issuers shall also establish relationships between the marked-up accounting policies and ~~tables~~ notes and the corresponding XBRL elements in the primary financial statements by using suitable mechanisms offered by the XBRL standard to accurately connect the related elements.

**RATIONALE**

This text should be replaced by a required relationship between accounting policies and notes and primary financial statements line items.

**35.7. ANNEX II Mandatory markups § a) 3.**

**See the points to consider under question 20.**

**The following text is ambiguous:**

**For the name of the audit firm and the type of audit opinion, this obligation also exists if the disclosure is included in the annual financial report.**

**RATIONALE**

There is not only one audit firm and one type of audit opinion.

##### 35.8. ANNEX II Mandatory markups § a) 4.

**See the points to consider under question 18**

**RATIONALE**

Our opinion is that the phasing approach and the content of the phases should be revised.

We propose that the initial phases should focus on tightening the rules to achieve the ultimate goal of audited detailed tagging. Early adopters should have the option to proceed directly to detailed tagging, while others should be provided with guidelines to reach this goal. The initial phases should be utilized to identify bad practices and develop best practices in both report preparation and auditing.

##### 35.9. ANNEX III Applicable Inline XBRL specifications §1. and §2. Proposal 11

ESMA should consider rewriting or removing this annex, as there are many questions that need to be resolved before another RTS draft is issued. This annex should make reference to the reporting manual where the specification can be explained.

The term “~~xbrl instance~~” should be replaced with “Inline XBRL report,” and references to XHTML reports should be included.

There are many aspects that need clarification regarding what is required, possible, and allowed, as several options exist.

* The XBRI package specifies that there is one inline report. If multiple inline XBRL reports are needed, a zip package must be used.
* There is a difference between having multiple XHTML documents forming a single inline XBRL report. The taxonomy organization issue needs to be addressed.
* Clarification is needed on how many reports will be extracted from what is filed. Inline processing can produce one or more output documents in XBRL. For example, in Denmark, a single input document produces both an ESEF XBRL document and a Danish GAAP XBRL document. The question of combined sustainability and ESEF reports remains unresolved.
* It is unclear whether there will be separate output documents for ESEF and CSRD, or if they are expected to be combined.

Additionally, the issue of digital signatures should be discussed, as it has implications for the content of the package and the filing options.

**RATIONALE**

The RTS should make reference to the reporting manual where the applicable specifications may be stated and updated when needed without the burden of issuing new versions of the RTS.

- The opinion of the auditor does not officially exist at the point of time that the AFS is created. Officially the AFS is first signed by the board and then the auditor can give their statement. Especially when digital signatures come to play the ESEF file simply cannot be modified at all after the signing of the board.

- This should also be considered in the instructions on how to attach the auditor's and assurance statements into the ESEF files as those statements need to be signed separately by the auditor. The report package specification does not currently support this.

- Applicable Inline XBRL specifications; confusing wording with singular and plurals on "inline XBRL instance document(s)". It should be clearly aligned if ESMA expects all contents (directors report, consolidated statements and notes, parent company statements, auditor's statements, assurance reports etc.) to be:

- 1) in a single XHTML in a report package

- 2) Document set report package (multiple inline XBRL

- 3) Multiple report packages (and to consider all taxonomies these reports may contain together with the electronic signatures)

##### 35.10 ANNEX IV

ESMA should consider removing this annex and make reference to the reporting manual where the marking-up and filing rules can be stated and explained.

**RATIONALE**

ESMA should be able to introduce fine-tuned guidance around the tagging without the burden of issuing new versions of the RTS.

##### 35.11. ANNEX IV Marking up and filing rules § a) 4 d). [proposal 12]

ESMA should consider the following text:

d) be assigned with an appropriate data type, period type and a balance attribute (if appropriate) in case of monetary amounts ~~related to IFRS consolidated financial statements ;~~

**RATIONALE**

The paragraph relates to both ESRS and IFRS and the text is ambiguous.

##### 35.12. ANNEX IV Marking up and filing rules § a) 6 [proposal 14]

ESMA should consider the following text:

…in particular for arithmetic relationships between core and/or extension taxonomy elements from the primary financial statements.

**RATIONALE**

The primary financial statements are defined in the RTS. There are different views of what calculation is expected in Statement of changes in equity.

##### 35.13. ANNEX IV Marking up and filing rules § a) 9.b)

ESMA should consider adding the following text:

The undertaking shall anchor the extension taxonomy concept to the core taxonomy concept or elements having the closest narrower accounting or sustainability meaning and/or scope to that extension taxonomy concept concerned, **if one exists.**

**RATIONALE**

There are cases where we don't have a narrower, so it should not be mandatory to always anchor to a narrower.

##### 35.14. ANNEX IV Marking up and filing rules § a) 10

##### ESMA should consider discarding this paragraph:

Undertakings need to anchor to another core taxonomy element an extension taxonomy element that is used to mark up a disclosure in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, or the statement of cash flows or sustainability statement that is a subtotal of other disclosures in the same statement.

**RATIONALE**

A calculated value is, by construction of the calculation linkbase, anchored to the calculated total.

##### 35.15. ANNEX IV Marking up and filing rules § a) 7.

The abstract “NotesAccountingPoliciesAndMandatoryTags” will apparently include all disclosures.

It needs to be structured to facilitate navigation between Accounting Policies, tables (if required), and Details.

Additionally, a structure is needed for Sustainability disclosures:

The structure and ordering needed in the sustainability disclosures should ensure clarity and ease of navigation for preparers and auditors.

Presentation Link Base: Sustainability disclosures should maintain the structure of the base taxonomy, ensuring that the presentation link base is easy to navigate. This includes importing the presentation link base from the ESRS taxonomy directly.

Consistent Ordering: The numbering and classification of roles in the sustainability taxonomy should be consistent and ordered correctly to avoid mixing with financial statements. This helps in maintaining a clear and organized structure.

Grouping: It is suggested to use prefixes (e.g., 'E' for ESRS, 'I' for IFRS) in front of every role to group them together and ensure they are ordered nicely. This approach helps in distinguishing between different taxonomies within the presentation link base.

Placeholder for Extensions: Given the possibility of extensions in sustainability disclosures, a placeholder abstract should be included to accommodate any entity-specific extensions. This ensures that all relevant disclosures are properly categorized and accessible.

These measures will help in creating a structured and navigable taxonomy for sustainability disclosures, facilitating accurate reporting and review.

**RATIONALE**

We recommend providing guidance to preparers on their specific taxonomy structure. Without proper structuring, all disclosure elements will be challenging to read.

The EDGAR guidance, as demonstrated in this example, could be followed.



##### 35.16. ANNEX IV Marking up and filing rules § b) 16

ESMA should consider the following text for the draft RTS:

When marking up the Notes in the IFRS consolidated financial statements, issuers shall make all reasonable efforts to individually mark up all separately identifiable accounting policies and other explanatory notes with the ~~narrowest~~ most appropriate core taxonomy ~~element that most accurately represents the accounting or business meaning~~. When marking up the notes to the IFRS consolidated financial statements, ~~issuers shall follow the structure of the notes and presentation logic.~~

**RATIONALE**

### See question 17: 6.2.2 Information to be marked up in each phase §158 above.

##### 35.17. ANNEX IV Marking up and filing rules § b)17

ESMA should consider the following text for the draft RTS:

Where information within an individually identifiable accounting policy or other explanatory note corresponds to multiple identifiable accounting policies or other explicit identifiable information, issuers may apply the most appropriate granular taxonomy elements with data type text block, where available in the core taxonomy, to represent the most precise or narrowest accounting meaning of the information.

**RATIONALE**

### See question 17: 6.2.2 Information to be marked up in each phase §158 above.

This paragraph does not seem to be consistent with the text of the consultation in question 17: no reference is made to nesting and multi-tagging.

##### 35.18. ANNEX IV Marking up and filing rules § b)18

ESMA should consider the following text for the draft RTS:

##### ~~When marking up~~ For individual tables disclosed within the Notes to the IFRS consolidated financial statements, issuers ~~shall adhere to the relevant XBRL technical requirements, using the appropriate data type and ensuring that the underlying~~ XHTML code shall include the necessary style attributes and structural elements to ensure the proper display and isolated rendering of the content of the marked-up tables.

Relationships between marked up tables with the information in the primary financial statements shall be digitally provided using the corresponding fact-to-fact relationships defined in the IFRS core taxonomy

**RATIONALE**

### See question 17: 6.2.2 Information to be marked up in each phase §158 above.

This paragraph should only refer to the rendering of the tables included in text blocks.

<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, please find our suggestions below:

### Delegation to ESMA

We propose an amendment to the RTS that delegates responsibility to ESMA for establishing rules in a reporting manual.

The current RTS update cycle is cumbersome and inefficient. ESMA should consider streamlining the RTS by keeping it high-level and generic while referencing the reporting manual. This would give the manual greater legal weight, allowing ESMA to define broad principles in the RTS and delegate more detailed guidance to the reporting manual. Such an approach would enhance flexibility, facilitate the introduction of refined XBRL taxonomies and tagging guidelines, and eliminate the need to wait two or more years for RTS updates when issues arise.

Providing the reporting manual with a legal basis would help ensure consistency and compliance. This would require granting ESMA the authority to issue and update the manual within a defined framework, similar to the SEC's *Edgar Filing Manual*. This framework should include:

* **A clear governance process** with public consultations.
* **The ability to implement necessary updates** without requiring parliamentary approval, ensuring timely and efficient adjustments.
* **Alignment with the RTS and other legal documents** to prevent conflicts and discrepancies.

This approach would enhance the quality and reliability of the reporting process while maintaining flexibility to address practical implementation challenges.

### Audit

The RTS should explicitly state that markup (including voluntary anticipated tagging) falls within the scope of the audit.

### Timeline

We encourage ESMA to publish a draft RTS before mid-2026.

### Process Improvements

We propose establishing an internal ESMA committee comprising experts from various fields to review and harmonize documents before publication. This would help minimize discrepancies and improve overall efficiency.

To promote market adoption and stakeholder engagement, each new XBRL taxonomy and ESEF reporting manual should be introduced at least **six months before** its effective reporting date (i.e., before June 30 for reporting periods ending the same year).

A **six-week consultation period** should be provided for stakeholder feedback.

### Reducing Administrative Burdens

The costly and cumbersome process of publishing a paper-based list of taxonomy elements should be streamlined. Translations could be integrated directly into the taxonomy, the primary tool used by issuers for markup. To reduce the burden of RTS preparation, translations should only be required for new taxonomy elements introduced in each update <https://www.ifrs.org/content/dam/ifrs/standards/taxonomy/2024/illustration-of-versioning-information-full-annual-2023-annual-2024.html>. ).

Additionally, translation responsibilities could be delegated to national regulatory bodies, following the model used by the IFRS Foundation.

<ESMA\_QUESTION\_ESEFEEAP\_36>