31 March 2025

Mr Evert van Walsum
Head of Investor Protection and
    Sustainable Finance Department
ESMA
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Via Submission Portal

Dear Mr Van Walsum

XBRL INTERNATIONAL FEEDBACK ON THE ESMA SUSTAINABILITY RTS CONSULTATION: ESMA32-2009130576-3024

Thank you for the opportunity to respond on this consultation paper. Our comments are provided through a public interest lens. XBRL International is the global, not for profit standards development organisation that develops and manages the XBRL standard. All our specifications are freely licensed.

Overall:

1. It is our fundamental view that in the light of developments in digital disclosure around the world, as well as rapidly advancing AI technologies, that the EU must ensure the discoverability and accessibility of disclosures made by EU corporates in both the financial and sustainability spheres. A fundamentally analogue approach for the next 5-7 years will impair the competitiveness and attractiveness of EU markets. We therefore urge ESMA to adopt a substantially more ambitious vision for modern disclosure within the European Union.

2. The Omnibus Amendments give ESMA a unique opportunity to align the introduction of digital reporting with the phasing provided by the amended legislation. We urge a "digital twin" approach to digital disclosure timelines and scope throughout our response in order to simplify the process for issuers, users and ESMA alike.

3. The advent of AI is not a reason to hope that structured data will go away. Without data, AI is nothing. Assuming that these tools will be able to provide accurate and consistent interpretations of *unstructured* data will remain dangerous for some time, and perhaps forever. On the other hand, AI can and will simplify and accelerate the process of marking up disclosures by management inside the company. This will ultimately lower risks and costs, while leaving accountability for a single version of the truth where it belongs: with management. In addition, it is already apparent that structured data (XBRL disclosures) and metadata (XBRL taxonomies) will rapidly
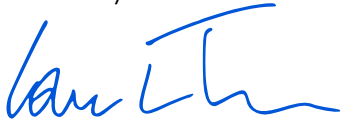
provide vastly more reliable and effective analysis and insights in a manner that facilitates provenance and enhances trust.

I hope that the attached Annex, and our Q&A response, as well as our exemplar taxonomy will all be of assistance.

We are very happy to provide additional information or answer any questions that you might have and are always happy to come to your offices to discuss any aspect of digital reporting.

Thank you for your time and the opportunity to comment.

Sincerely

John Turner
CEO

Annexure: XBRL International response to December 2024 Consultation on RTS for sustainability and financial reporting.

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

XBRL International uses formal, consensus-based standards-making processes, including public comment periods in the preparation of our voluntary specifications[2] that together make up the XBRL standard. Our 500+ organisational members comprise representatives from across the information supply chain, including a significant number of regulators from right around the world. We are supported by 19 independent chapters that focus on digital reporting in their own countries and regions, including XBRL Europe.

Our comments cover a range of topics and we have set out the key themes below. Please note that we have also provided answers to the specific questions from the consultation in the specified ESMA format.

But how does XBRL work?

For those new to structured data, we use an analogy to explain the way that the XBRL standard works. It perhaps helps to clarify some of the terms used in the CP and encourages the consistent use of standards to ensure that computer-readable data definitions are central to data collection and management inside ESMA, its NCAs and OAMs.

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[1] See the XBRL International Project Directory for a list of current regulatory mandates that we are aware of.

[2] See https://specifications.xbrl.org/

Figure 1: How Digital Reporting with XBRL Works

We explain the way that the XBRL standards work by reference to the graphic in Figure 1, at left.

First, to ensure that different tools and software can prepare, display, exchange, publish, analyse and consume data in an interoperable manner, there is an agreed consistent "Alphabet and Grammar". Anyone that uses the Alphabet and Grammar can communicate with anyone else that uses the same letters and the same rules for sentence construction. Because XBRL is a digital standard, anyone can use a set of digital rules to test whether a particular piece of software is using the "Alphabet and Grammar" correctly and in line with the written rules. The single Alphabet and Grammar – of course, these are the XBRL specifications[2] – have been developed by XBRL International.

Second, an alphabet and grammar can't be used without a Dictionary of terms that define the words that can be used in a particular context. So regulators (including ESMA) and standards setters (like IFRS and the EFRAG) create their own dictionaries of terms. Each disclosure term in a rule or standard has a specific definition in the dictionary. For example, the EFRAG definition for Gross Scope 1 GHG Emissions is:

`efrag:GrossScope1GreenhouseGasEmissions`

Again, because XBRL is a digital standard, use of relevant defined words can be checked using a set of digital rules. "Is this word in the dictionary?".

We call these dictionaries "taxonomies", but you can think of them as a digital model or digital twin of the reporting, disclosure, compliance or performance standards that are being used to govern specific reporting arrangements. The dictionaries go well beyond just definitions. For example, they:

- connect related reporting terms,
- provide links to authoritative references,
- constrain terms (a date needs to be a date, not a piece of text); and
- permit the creation of report labels in multiple human languages.

Third and most importantly, however, preparers and other relevant reporting organisations need to prepare their digital reports and documents.

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They do so using the words in the Dictionary[3] (taxonomy) and the "Alphabet and Grammar" defined in the XBRL specifications.

Once reporting entities have produced digital reports using the words in the Dictionary, using the letters in the Alphabet and the rules of Grammar, a very wide range of users can consume and understand these reports using a large number of interoperable tools, including off-the-shelf analytics packages[4]. Today, data providers and other information professionals make extensive use of structured XBRL reports provided to OAMs and other regulators right around the world.

Define a clear vision: Digital is here to stay

We recognise that ESMA encounters criticism and expressions of concern about digital reporting, particularly from issuers who may perceive digital tagging as an additional burden. Equally, we are aware that investors, investment groups, and information providers are often tentative or reserved in communicating their requirements clearly to ESMA and the European Commission. However, despite these understandable challenges, the imperative for digital transformation in corporate reporting is clear and pressing.

In line with the European Commission's Competitiveness Compass, there is a strong and explicit call to embrace digitisation as a strategic enabler for Europe's economic resilience and attractiveness. A clear, ambitious, and swiftly implemented digital reporting strategy will significantly enhance transparency, efficiency, and market accessibility. It will also support the composition, vibrancy, and competitiveness of the EU's capital markets, attracting European as well as global investment and supporting sustainable growth. To this end, ESMA needs to articulate and champion a compelling vision for disclosure in our modern age, placing structured, digital disclosures as a consistent foundation across its regulatory strategy and actions.

Companies need to understand that their digital disclosures are decision-useful, that they are the new "business as usual" that won't go away and for

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[3] There is a slight twist to corporate reporting in that it isn't entirely constrained by what's in reporting standards like IFRS. Companies can create their own definitions for unique aspects of their disclosures. To do that in XBRL they create their words for the dictionary (called an "entity extension taxonomy") and then use those definitions in their reports. It's a bit like having a dictionary in a loose-leaf binder that can be added to by companies.

[4] Here is an example set of regulatory analytics, pulled from EU corporate filings prepared in Inline XBRL, converted into xBRL-JSON and then imported into Tableau, a common analytics tool.

![xBRL]

there to be feedback loops about these reports from regulators, as well as a range of market participants, to ensure that management focusses on their digital reports as a fundamental communications channel for corporate performance.

In alignment with the ambitions laid out in the EU's Competitiveness Compass, we urge ESMA to take a digital-first approach to corporate reporting. Digital disclosures must not be treated as secondary supplements to 20th century reporting mechanisms; instead, structured digital formats, notably Inline XBRL, should become the default standard by which corporate information is created, published, accessed, and analysed. This shift in modality is essential to unlocking efficiency, innovation, and transparency across the EU's financial and sustainability reporting landscape.

Achieving this shift is as much about cultural and strategic change as it is about technical implementation. ESMA's leadership in actively promoting digital-first reporting is vital. By focussing on digital reports as the authoritative and critical approach to market disclosure, ESMA will significantly enhance market transparency, investor utility, and corporate accountability.

This transformation to digital-by-default aligns directly with the EU's strategic vision for competitiveness, ensuring that the EU capital markets remain attractive, responsive, and resilient in the face of global economic change.

Articulating a clear vision and developing ambitious plans to bring that vision to life is key. The CP exhibits a lack of ambition in its current state and we encourage ESMA to rethink its approach to the RTS.

All compliance is a burden but digital brings the benefit

Whenever new reporting requirements are introduced, there is inevitably an initial compliance cost for issuers. However, we fundamentally challenge the cost/benefit analysis set out in the ESMA Consultation Paper.

Digital tagging transforms reporting from merely a compliance burden into a strategic asset. By mandating digital tagging, ESMA ensures a level playing field: data from companies of all sizes, across all languages, becomes equally accessible, comparable, and usable. This increased comparability directly benefits investors, analysts, and regulators, significantly enhancing the efficiency and effectiveness of decision-making processes.

The cost/benefit analysis in the CP:

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a) suggests that the costs associated with digital tagging should be looked at in isolation from the costs associated with the preparation of a disclosure and the development of supporting systems, policies, procedures and controls associated with that data flow. The costs associated with digital disclosure are a tiny fraction (between 0.5% and 5%) of the costs associated with the creation of a report. However the process of digitisation is what makes that report discoverable, accessible and usable for information providers, regulators and other users without substantial additional time, effort and investment.

b) Uses costs for digital tagging that are hard to reconcile with the "street costs" for reporting today. We refer you to the recent survey carried out by XBRL Europe, (referenced in their response to the CP), but overall, the costs associated with tagging software and services are (a) highly competitive and (b) considerable less than the costs set out in the CP.

Moreover, the advantages of digital disclosure extend significantly to issuers themselves. Consistent digital tagging facilitates greater visibility and accessibility of company reports, broadening the potential investor base and reducing information asymmetry. In an economy as diverse and complex as the European Union, it is vital that it be easy to assess relative performance for as many economy actors as possible. Issuers benefit from improved market recognition, reduced costs of capital, and enhanced investor engagement through clearer, more transparent disclosures. They can also take advantage of benchmarking and thematic analysis that is harder to produce and significantly more expensive to produce without digital disclosures. Companies that embed digital tags into their internal data workflows can

We strongly advocate that digital disclosure obligations should serve as the "digital twin" of analogue disclosure requirements—closely mirroring and fully aligned with them. Every analogue disclosure mandated for human consumption must have a matching digital disclosure to enable machine readability. While analogue disclosures ensure human accessibility, digital disclosures unlock powerful analytical capabilities, including automated translation of financial concepts across multiple languages (enabled by XBRL taxonomies), advanced comparative analytics, investor dashboards, peer comparisons, and sophisticated screening tools. This combined approach ensures transparency, accessibility, and analytical utility, maximising benefits for issuers, investors, and regulators alike. Needless to say, Inline XBRL is both human and machine readable.

Thus, in our view, when looked at holistically, the incremental costs of digital tagging are decisively outweighed by the substantial long-term benefits— enhanced transparency, reduced friction in information flow, improved

investor confidence, and ultimately, more efficient capital markets for the benefit of all market participants.

Ask the users, not the preparers

Sustainability reporting is not there to make life easier for preparers, it is meant to be a burden with a benefit. Some of that benefit will accrue to the preparers themselves and some will be to society at large.

Asking preparers if they like their reporting burden is akin to asking a school child if they like doing homework, a few will like it but most will not! Instead, ask the future employers of the children what skills they will need in their workforce.

The crucial perspective comes from those who rely on these disclosures: the investors and lenders, both institutional and individual. Digital reporting enables them to access critical sustainability information more efficiently, at reduced cost, and with greater accuracy, ultimately driving better investment decisions and stronger market integrity.

Simplified timelines

Once we acknowledge that digital reporting is required at exactly the same granularity as analogue reporting, timelines and phasing become much simpler for both preparers and users.

Any requirements introduced in terms of analogue reporting (for example phasing in of reporting by certain topics, or only companies above a certain size needing to report) should just be mirrored in the digital reporting requirements. This means if a piece of data is found in a disclosure, it will be available both in digital and analogue form.

The current RTS consultation proposes phasing in of digital reporting taking at best 5 years and possibly longer. In that time, the burden of reporting is realised by all preparers but the full benefits of digital can only be realised once all phasing stages have completed.

A pragmatic grace period

CSRD already has phasing in of reporting requirements overall and these are likely to be expanded when the Omnibus is finalised.

If a grace period is needed for inexperienced preparers, that can be done by requiring full digital and analogue compliance with what is specified in CSRD (including any omnibus changes) from day one but being permissive in what is accepted in the first year (i.e. provide a grace period or soft landing).

Using a grace period rather than additional (digital) phasing in means that the requirements stay the same over time for all preparers, with no risk of further delay or requirements changing because a company is taken over or hires additional staff. As importantly, with a grace period, all preparers know that they, their software providers and their auditors are all working to the same goals, so training and software feature development are both simpler, cheaper and more effective.

Those already reporting analogue CSRD reports

Any filer who already produces an analogue CSRD report has the burden of reporting but without the analytical benefits and visibility that digital reporting provides.

Without taking account of Omnibus changes, the final ESRS Set 1 taxonomy was published in 2024Q3 so it would be appropriate to introduce mandatory digital reporting for those already reporting against the ESRS as soon as possible.

For example, digital reporting could be required for all CSRD reports (ESRS and Article 8) produced for FY2025 onwards, meaning that reports should be created and submitted in FY2026.

Then, as any omnibus changes modify the scope of ESRS or the number of Wave 1 undertakings required to report, the changes will affect the analogue and digital reports in lockstep rather than operating two different and changing schedules.

If ESMA is of the view that Wave 1 filers should have another year to publish purely analogue CSRD disclosures, the "grace period" mechanism described above could be used to give them up to one further year to make their disclosures.

Notwithstanding the Omnibus debates occurring within the EU, investors and lenders are looking for high quality and consistent sustainability disclosures and according to numerous surveys, companies are keen to provide them.

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Everyone in the same boat

We think it's important to avoid giving certain undertakings special digital exceptions, either reporting later or just in analogue form.

Paragraph 74 of the consultation appears to exempt subsidiaries or branches of third-country entities from digital reporting, meaning (1) they have the burden of analogue reporting but not the benefit of digital reporting and (2) the playing field is not level between them and entities in the EU.

Digital tags are the underlying standards

Trying to vary the digital reporting requirements in a different way to the analogue requirements increases the burden on preparers and lowers the utility to the users.

We do not think phasing-in mechanisms such as turning digital reporting on/off by data-type, validation rule or narrative tag nesting are easy to understand for preparers or give utility for users of the digital data.

In the event that ESMA decides to go ahead with this kind of burdensome add-on phasing, it is *essential* that the relevant EFRAG taxonomies are amended to include authoritative reference properties that indicate which tags need to be considered for markup, by which entities, and when. The interpretive costs that issuers will otherwise incur directly, or via their service providers, will be several orders of magnitude higher than the cost associated with adding this additional metadata.

Digital tags power AI

An analogue report is ambiguous:

- What scale has been used for the numbers in this table?

- Are all the numbers in this column restated or just two of them?

- There's lots of words here but did the organisation achieve more or just lower the target from what they published last year?

When consuming an analogue report, an AI can take a best guess at seeing through an analogue report to answer these questions. Today they will get a lot of them wrong.

Digital tags remove the guesswork: the AI can give certainty quickly and point you at the precise digital facts that prove its answer.

When preparing a report, an AI can tidy up text and improve answers. An AI can help preparers apply the digital tags and some software on the market already uses AI to help. A human is still required to review those AI-suggested digital tags and confirm they are happy with them.

When auditing a report, an AI can flag inconsistencies or gaps for a human auditor to investigate.

The easy test for AI

Sometimes people say "we don't need digital tags because AI can find all the information in all the reports". AI is making impressive strides in many fields, from artwork, through programming, to medical diagnostics.

The simple test as to whether AI is truly at the required quality level for preparation of mandatory disclosures is to see if an AI can prepare all the digital tags in a sustainability or a financial report without any human assistance and its decisions pass both management review and a subsequent independent assurance review. And do this repeatedly for different undertakings. AI could get to this status in the next 12 months or still be struggling in 10 years time, none of us know but the test seems fair. That said, even if these tools pass that test, policymakers need to be confident that there is only one version of the truth.

In other words, the desirable endpoint is for AI-powered tools to remove the burden associated with tagging (and for that matter some of the judgement associated with disclosure overall) *within the company*. There is then a single, authoritative, digital (tagged) disclosure that management stands behind that all users can rely on.

Once this test is passed, digital tagging is no longer a burden for preparers but the digital tagging still provides great benefit to AI:

- The digital tags (XBRL taxonomy) help AIs understand how to prepare a quality digital report and/or flag to humans that required information is missing.

- The digital reports (inline XBRL) provide unambiguous answers for users' AIs to interrogate so as to provide answers, with evidence, to investor or policy-maker questions.

The good news is that there are already new tools coming onto the market that provide LLM assistance in "co-pilot" mode to corporate staff tasked with tagging their disclosures. More are needed: it's still very early days and additional training data is especially required. Fundamentally a single version of the truth signed off by management is vastly better than dozens or hundreds of versions of the truth prepared from unstructured data by information

providers and other users – each using energy intensive AI (and increasingly expensive once we get beyond today's subsidised LLM queries) technologies and each coming up with slightly different answers.

Healthy software and services ecosystem

There are many more software and services offerings for creating digital reports than five years ago, when existing ESEF reporting started, and many more than when SEC mandatory reporting started in 2009.

We think our sustainability report creation software certification will help software authors have confidence they can create digital reports at the required standard. The certification of software will raise expectations by preparers both of their existing software providers and any new software providers they consider using.

Producing a report in a non-digital tool and then using a second tool (a "tagging" tool) to apply digital tags to the report is one method that is used by preparers in the financial accounting world. Many of the same tagging products will be used for tagging of sustainability reports. This is a process that by its nature takes digital data from internal systems, converts it to an analogue PDF or HTML format and then applies digital tags to it again. The second, tagging, stage can also be provided as an out-sourced service by organisations expert in the reporting domain. Some of these tools are increasingly sophisticated and it is possible to provide very high quality tagging in this manner. It does not fundamentally transform the reporting process. But equally, the costs associated with using these "outsourced" or "bolt on" tools and services is extremely low.

A more fundamental alternative, used by many companies, is disclosure management software. These tools takes the digital data feeds from a company's internal systems and creates the digital report directly from them (with collaborative authoring tools embedded that permit the creation of narrative or numeric disclosures that are not sourced from core systems). By keeping the data digital, these tools avoid the time costs of converting to analogue and then back to digital. These tools can flag data issues earlier in the compliance process. They substantially enhance the controls that are associated with report preparation and provide management with greater confidence, less review work and vastly less internal co-ordination effort in the preparation of their reports. These kinds of tools are really digitally re-defining the process of report production and go far beyond just providing tagged disclosures. They come at a significantly higher price point.

Both approaches have been proven to work well and they trade-off time taken, financial cost and audit complexity depending on the preferences of those completing their digital reports.

XBRL International is a standards development organisation and we do not recommend specific software. We do, however, provide an authoritative software certification program. See https://software.xbrl.org/modules.html for details.

Illustrative reports

We think it would be helpful for ESMA to endorse a number of illustrative reports (completed with digital tagging). These would help preparers and software providers understand the expectations on them more than text in an RTS or filer manual.

As software improves and knowledge of the ESRS improves, updated illustrative reports should be issued to show the new expected baseline.

Audit needs to benefit from digital too

Just as issuers and users can benefit from digital disclosures, so too can the audit profession. Tagged data can be used for all kinds of audit processes including:

- Automating the work associated with peer and industry benchmarking.
- Reviewing compliance with accounting standard and sustainability standard requirements through automated disclosure check lists.
- Using ML, LLM and other AI tools to help identify risks that a specific client faces, based on both large numbers of published XBRL disclosures and internal working papers
- Using LLM and other AI tools to help identify patterns in a specific draft disclosure that might be similar to that in a filing that has been questioned by a regulator or supervisor.
- Using LLM and other AI tools to help management identify the questions that companies are most likely to get on an upcoming investor call, based on an analysis of a draft filing.

In the EU, depending on the Member State, Audit firms are involved in a significant amount of review work around draft ESEF disclosures. In our view the audit profession is uniquely placed to help with the independent review of tagging decisions, including the review of entity-specific extension decisions.

The auditor understands their client's business. They understand the disclosure rules and they (will in time) understand the relevant taxonomy.

Audit firms are also being tasked with a range of much more mechanical work – what we term "syntactic" review. In our view the market would be better served if ESEF assurance was limited to the review of tags and the narrative and numeric representation of those tags. The syntactic work should be the preserve of the companies themselves, or, if they fail to carry out those tests, the supervisors and regulators. These, by their very nature, can be fully automated.

In our view, ESMA and/or DG FISMA can bring this about by working with the CEAOB and national audit regulators to streamline ESEF assurance and remove certain (generally syntactic) bottlenecks.

Use the underlying taxonomies fully

The prototype taxonomy was a helpful illustration as part of the consultation but does not take enough advantage of the work of EFRAG and instead attempts to replicate the underlying taxonomies inside the ESMA taxonomy.

Reduce the ESMA taxonomy scope

The ESMA taxonomy prototype currently recreates large parts of the "linkbases" (relationships) of the underlying taxonomies it depends upon (EFRAG ESRS Set 1, EFRAG Article 8). This is unnecessary and error-prone for ESRS and Article 8 taxonomies.

Instead, any ESMA taxonomy should just offer a set of entry points that specify the permitted combinations of the underlying taxonomies and their versions. The only references to the underlying taxonomies should be imports of the relevant underlying taxonomy entry points as specified in the package for the underlying taxonomies.

Each of the three underlying taxonomies are released at different times and with different effective dates. Therefore, being able to clearly and quickly specify which versions are allowed and in which combinations so as to react to market requirements is another important reason for streamlining the ESMA taxonomy.

This change significantly reduces the taxonomy maintenance burden for ESMA and makes the digital requirements easier to understand for software developers.

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We have prepared (and will submit, or if the ESMA system doesn't permit, provide directly) an alternative proposed DTS to demonstrate the approach described above.

Package translations separately

For ESRS and Article 8 taxonomies, the task of amending (and perhaps authoring) label translations should be simplified. As the authors of the taxonomies, it might be in the interests of EFRAG to manage this process.

We have a suggested alternative approach to managing label translations – in a manner to allow them to be distributed as their own taxonomy packages (as well as being included with the underlying taxonomies) and this means they can be updated independently of the underlying taxonomies if translation issues come to light. We would be happy to discuss this with your team.

RTS specifies too much technical detail

The draft RTS markup in the consultation simplifies a number of items, which is welcome but nonetheless still specifies how various XBRL specifications are identified and still spends a long time, in legalese, explaining data types, tagging rules etc.

The RTS can take two years to be updated and that is too slow when taxonomies change more frequently and ESMA needs to issue meaningful clarifications as to how preparers and their suppliers (software, accounting and audit) should work within the ESEF framework.

Those working within ESEF preparing reports often identify perceived conflicts between the RTS and the ESMA filer manual, but the RTS is legally binding and the filer manual is not.

Put the filer manual on a statutory footing

We suggest detailed technical rules and references are moved out of the RTS and into the filing manual. For this to be effective, the RTS should be updated to give the filing manual a legal force and the RTS should set out the governance framework for the filing manual and updates to it.

Make the feedback loop more effective

Stakeholders operating with the ESEF framework often identify areas for clarification or correction in the existing ESEF RTS and filer manual but these can take a long time (2 years or more) to change.

Adopting a transparent (and confidential where necessary) issue reporting and review process where stakeholders can see issues identified, and then changes made to the filer manual (or the RTS) will help increase confidence.

Reducing the time between identifying an issue and publishing a clarification or correction to weeks and months will also help.

Finally, when new requirements are introduced such as a new IFRS taxonomy version or detailed tagging, a process of publishing draft updates to the filer manual and responding to feedback in a timely way with updated drafts will lead to quicker acceptance of updated requirements and fewer issues occurring within the ESEF framework.

European Single Access Point (ESAP)

The European Singla Access Point (ESAP) is a great initiative and we welcome the changes to the RTS to tidy up the naming from EEAP to ESAP.

We welcome ESAPs adoption of the internationally standard LEI as the primary identifier for entities. As ESAP will likely be used to find and verify value chain data globally, including use of the vSME sustainability reports, using the LEI maximises the compatibility of ESAP while minimising the burden on users of ESAP.

We think ESAP needs to be pushed forward in parallel to the changes to ESEF. Some parts of the consultation seek to align dates between digital sustainability reporting and ESAP availability. There is no reason to connect the timelines of ESAP and CSRD, in fact attempting to align the two will likely result in delaying both.

Move to industry standard availability, 99.9%

The draft RTS on ESAP suggests an availability of 97% for OAMs, or 11 days of unavailability spread throughout the year per OAM. During that unavailability, people will find metadata and links to reports on ESAP and then the download link for a given report will not work.

We think targeting an industry standard 99.9% availability (less than 9 hours unavailable per year) would be simpler and meet market needs.

Article 8 reporting

Article 8 reporting is currently live in analogue form and the consultation is about introducing the digital reporting.

In many ways, Article 8 reporting will be a lot easier after ESRS reporting is in place. For a preparer, with a digital ESRS report completed, their digital article 8 report will be substantially simplified, using automation, from the more significant and detailed ESRS report.

As such, the cart is before the horse if Article 8 digital reporting begins ahead of ESRS digital reporting. Until such time as there is baseline data, Article 8 reporting will continue to involve significant amounts of estimation, which strongly limits its utility to investors.

IFRS Accounting taxonomy: detailed tagging

The suggested move to detailed tagging of notes from the current block and multi-tagging of notes is welcome and, once realised, brings ESMA to a similar level of detailed tagging as undertaken at the SEC in the USA. Overall we are supportive of the proposals, but:

- In our view there is no need for additional phasing. The "digital twin" approach outlined above should work – that is, introduce digital filing immediately, or with a one year grace period.
- In our view, overall burden could be substantially reduced by, at least on an interim basis, limiting tagging requirements to those disclosures that are covered by the IFRS taxonomy.

There appears to be a mistake in the consultation on page 47, where there is a discussion of marking up tables in the notes to the financial statements. There is no table mark-up of this kind currently in the IFRS taxonomy or "dtr-type:table".

Go straight for detailed tagging

In a similar vein to our earlier comments on ESRS digital reporting timelines, it is better to set the rules for IFRS tagging to the final destination, full detailed tagging, rather than introducing phasing in that means multiple changes to software, audit practice and training.

Again, a grace-period of acceptable, partial detailed tagging of notes can help reassure entities that they have two years to get detailed tagging right rather than one year.

Another aspect that might help is to require only detailed tagging of the notes to the accounts for items in the IFRS base taxonomy. After a few years experience of detailed tagging at this level, the demand for detailed tagging of entity extension data might prove substantial but that can be carefully assessed in due course.

This separation is easy for everyone to understand: "For the notes, if it's in the financial standards (IFRS) then tag it, if it's not then no need to tag it yet."

IFRS Accounting taxonomy: ESMA customisations

ESMA has a number of customisations of the IFRS AT taxonomy (guidance labels, additional concepts etc.) that it has to reapply to every version of the IFRS AT taxonomy that it adopts for reporting.

Consider no longer modifying the IFRS taxonomy

The SEC have their own, small, taxonomy (the Document and Entity Identifier or DEI taxonomy) that works alongside both the US GAAP taxonomy and the IFRS taxonomy, both of which are used, unmodified, by the SEC and filers-alike (adding entity extension items as required). This makes it considerably easier for the SEC to adopt new versions of the IFRS taxonomy than it is for ESMA.

If ESMA created their own mini taxonomy, anything ESMA specific can go in that ESMA taxonomy (for example "Name of auditor") and, should it beneficial, one version of the ESMA taxonomy can work with multiple versions of the IFRS taxonomy.