Draft ESRS XBRL Taxonomy:
Architecture and Methodology

XBRL Europe, 22 May 2023

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sustainability reporting

Set 1 draft ESRS: overview

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CROSS-CUTTING STANDARDS

ESRS 1 *General requirements*

ESRS 2 *General disclosures*

TOPICAL STANDARDS

Environment

ESRS E1 *Climate change*

ESRS E2 *Pollution*

ESRS E3 *Water and marine resources*

ESRS E4 *Biodiversity and ecosystems*

ESRS E5 *Resource use & circular economy*

Social

ESRS S1 *Own workforce*

ESRS S2 *Workers in the value chain*

ESRS S4 *Consumers and end-users*

ESRS S3 *Affected communities*

Governance

ESRS G1 *Business conduct*

First set of draft ESRS: submission to the EC

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- In November 2022, EFRAG submitted the first set of draft ESRS to the European commission in its role as technical adviser. This first set takes into consideration the input from the public consultation (May - July 2022) and the final revisions of the CSRD text. Set 1 includes:

  ✓ Cover letter

  ✓ Due process note

  ✓ Explanatory note, including its Annex, of how draft ESRS take account of the initiatives and legislation listed in Article 29b CSR

  ✓ EFRAG's Cover Letter on the Cost-benefit analysis of the First Set of draft ESRS and Cost-benefit analysis of the First Set of draft ESRS prepared by CEPS and Milieu

  ✓ **First set of 12 draft ESRS to be issued as delegated Acts**

- Appendix I –Disclosure Requirements, Application Guidance index
- Appendix II – CSRD requirements for the development of sustainability reporting standards and their coverage by the draft ESRS
- Appendix III – Datapoints in accordance with EU laws in the ESRS
- Appendix IV – TCFD Recommendations and ESRS reconciliation table
- Appendix V – IFRS Sustainability Standards and ESRS reconciliation table
- Appendix VI – Acronyms and glossary of terms
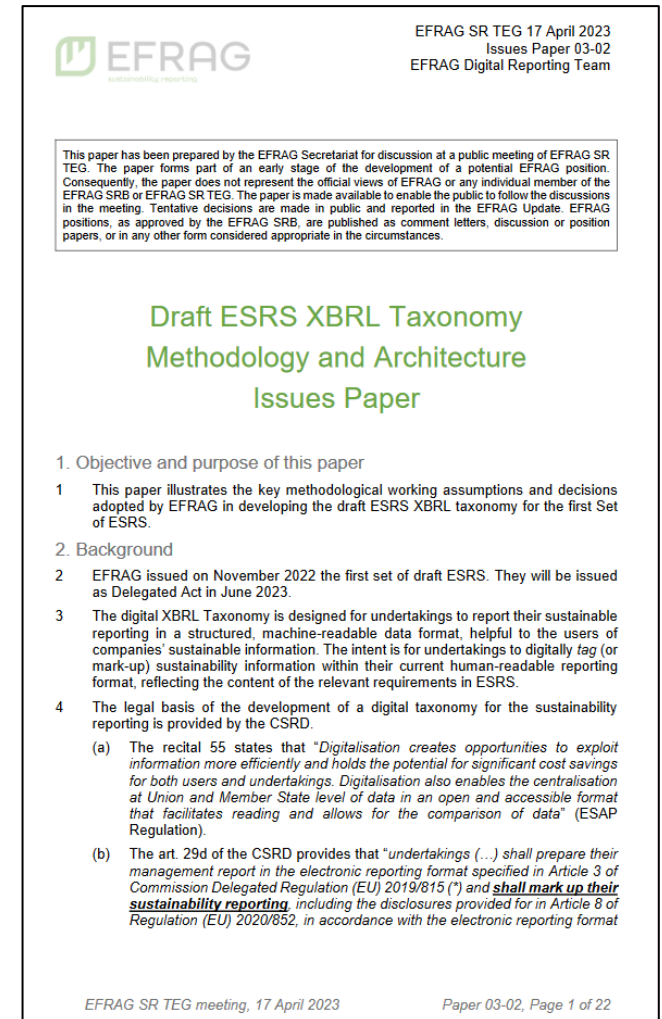
Tip: Educational Videos!

The ESRS XBRL Taxonomy Project

Key facts about the digital Sustainability Reporting Taxonomies

- EFRAG is developing the Sustainability Reporting (SR) XBRL Taxonomy, including:
  - ESRS XBRL taxonomy, which will reflect the approach and granularity of tagging that EFRAG, as advisory to the EC in charge of developing the content of draft ESRS, considers appropriate, i.e. technically consistent with the content of the draft ESRS delivered to the EC.; and
  - Article 8 XBRL taxonomy;
- The SR XBRL taxonomies will be issued for public consultation by EFRAG.
- ESMA is responsible for developing the draft RTS that relies on the taxonomy prepared by EFRAG. The draft RTS regulates the implementation (i.e. timing, level of tagging) of the Sustainability Reporting XBRL taxonomies described in (a) above.
- European Commission to adopt the XBRL taxonomy following the submission of the draft RTS from ESMA.
- An extensive XBRL Taxonomy methodology and architecture paper has been published and discussed in the SR TEG and SRB.
  https://efrag.org/Meetings/2303221128397656/EFRAG-SR-TEG-Meeting-17-April-2023

EFRAG SR TEG 17 April 2023
Issues Paper 03-02
EFRAG Digital Reporting Team

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Draft ESRS XBRL Taxonomy
Methodology and Architecture
Issues Paper

1. Objective and purpose of this paper
1 This paper illustrates the key methodological working assumptions and decisions adopted by EFRAG in developing the draft ESRS XBRL taxonomy for the first Set of ESRS.

2. Background
2 EFRAG issued on November 2022 the first set of draft ESRS. They will be issued as Delegated Act in June 2023.
3 The digital XBRL Taxonomy is designed for undertakings to report their sustainable reporting in a structured, machine-readable data format, helpful to the users of companies' sustainable information. The intent is for undertakings to digitally *tag* (or mark-up) sustainability information within their current human-readable reporting format, reflecting the content of the relevant requirements in ESRS.
4 The legal basis of the development of a digital taxonomy for the sustainability reporting is provided by the CSRD.
(a) The recital 55 states that "*Digitalisation creates opportunities to exploit information more efficiently and holds the potential for significant cost savings for both users and undertakings. Digitalisation also enables the centralisation at Union and Member State level of data in an open and accessible format that facilitates reading and allows for the comparison of data*" (ESAP Regulation).
(b) The art. 29d of the CSRD provides that "*undertakings (...) shall prepare their management report in the electronic reporting format specified in Article 3 of Commission Delegated Regulation (EU) 2019/815 (*) and shall mark up their sustainability reporting, including the disclosures provided for in Article 8 of Regulation (EU) 2020/852, in accordance with the electronic reporting format*
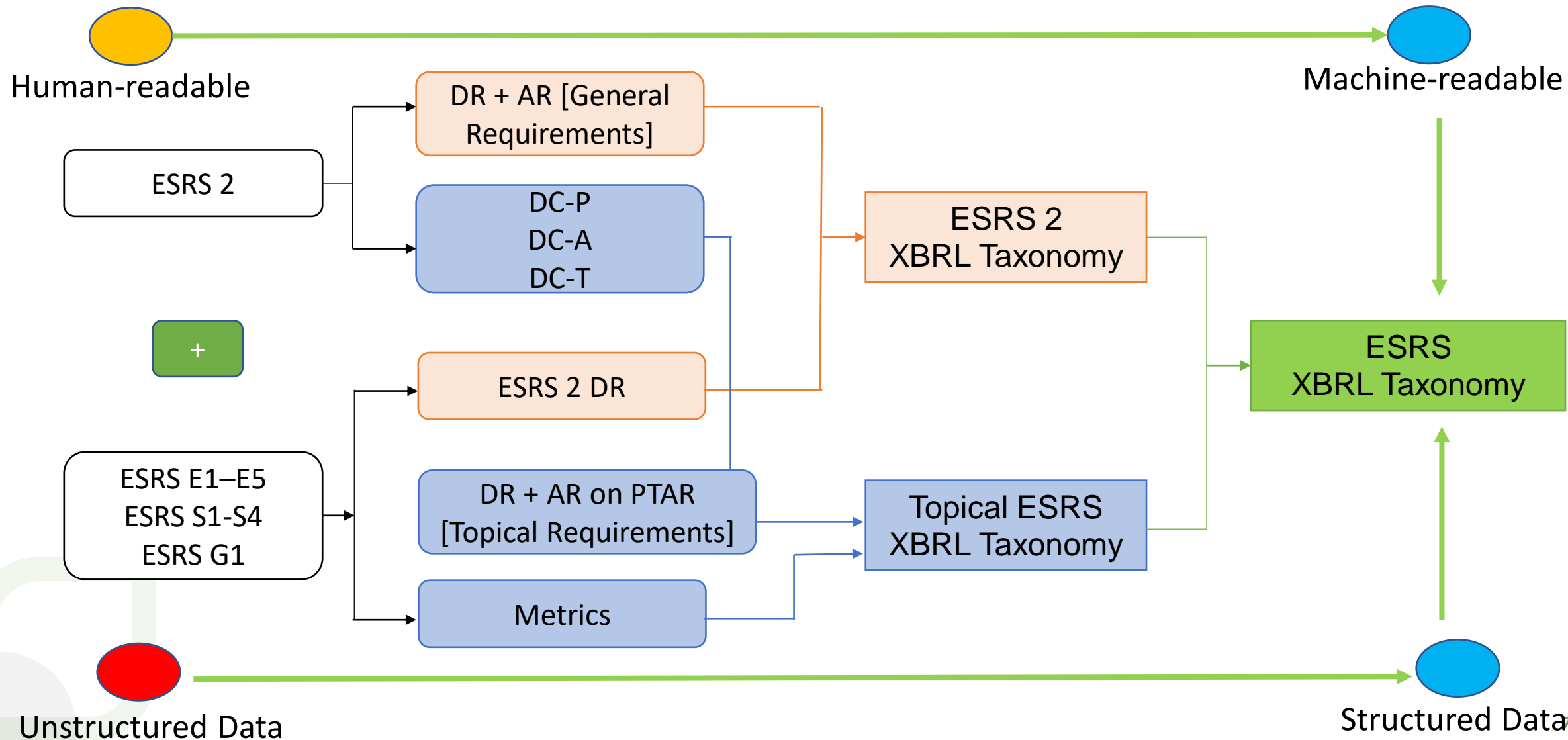
EFRAG SR TEG meeting, 17 April 2023   Paper 03-02, Page 1 of 22

Draft ESRS XBRL Taxonomy: Architecture and Methodology

4. Introduction to the draft ESRS XBRL Taxonomy

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- CSRD requires that undertakings shall mark up [*tag*] their sustainability reporting [SR XBRL Taxonomy]

- ESRS XBRL Taxonomy is the digital transposition of the human-readable ESRS text

Human-readable → Machine-readable

ESRS 2 →
- DR + AR [General Requirements]
- DC-P / DC-A / DC-T

→ ESRS 2 XBRL Taxonomy

+

ESRS E1–E5
ESRS S1-S4
ESRS G1 →
- ESRS 2 DR
- DR + AR on PTAR [Topical Requirements]
- Metrics

→ Topical ESRS XBRL Taxonomy

→ ESRS XBRL Taxonomy

Unstructured Data → Structured Data

5. Types of ESRS data points and corresponding tagging categories

- DRs contain a combination of quantitative (monetary amount, percentage, other numerical,..) and qualitative disclosures (narrative disclosure)

Data point type	Comparability	Usability as separate information	Category
Numerical data points (metrics), like GHG Emissions, Headcount, Water consumption, etc.	High	High	A
Monetary Data Points	High	High	A
Percentage Data Points	High	High	A
Boolean (Yes/No)	High	High	B
Enumeration Elements (Drop-Down), including multiple-choice	High	Medium	B
Dates	High	High	B
Short unformatted narrative disclosures (strings)	Medium	Low	B
Narrative disclosures (textblocks)	Low	Low	C

COMMON PRACTICE

NARRATIVE STATEMENTS ARE A KEY CONCEPT OF THE ESRS

Example: Illustrative tagged report E1-5

6. Narrative tagging: working assumptions

- The guiding principle in modelling the ESRS XBRL Taxonomy is to **provide distinct elements for discrete parts of narrative information,** that will be separately understandable to users of the sustainability report (user's perspective).

- **ESRS XBRL taxonomy shall reflect this tree structure** and thus the individual data points correspond to the level 3 of the human readable ESRS text (represented by the roman numbers (i), ii), iii)).

- The working assumption followed in developing the XBRL taxonomy for narrative disclosures is:

  - to have one tag per each separate datapoint, being it a), b) or c) above or (where they exist) i., ii., or iii; and

  - to promote an XBRL taxonomy that is as close as possible to the text of the ESRS, consistent with the premise that the text has been already developed to separately identify each datapoint.

- The working assumption is to always tag the most granular level and the highest level (DR level), i.e. no need to tag the intermediate level.

- The narrative content in ESRS is articulated into levels of narrative information aimed at covering a 'disclosure objective'

Human-readable tree structure	LEVEL 1	XBRL	Full DR tagged

WORKING ASSUMPTION

Designed to identify easily DPs to be tagged

LEVEL 1
DR [TITLE]
Objective
Key content

LEVEL 2
a)
b)
c)

XBRL → 1 text-block for a)
1 text-block for b)
1 text-block for c)

LEVEL 3
i.
ii.
iii.

XBRL → 1 text-block for i.
1 text-block for ii.
1 text-block for iii.
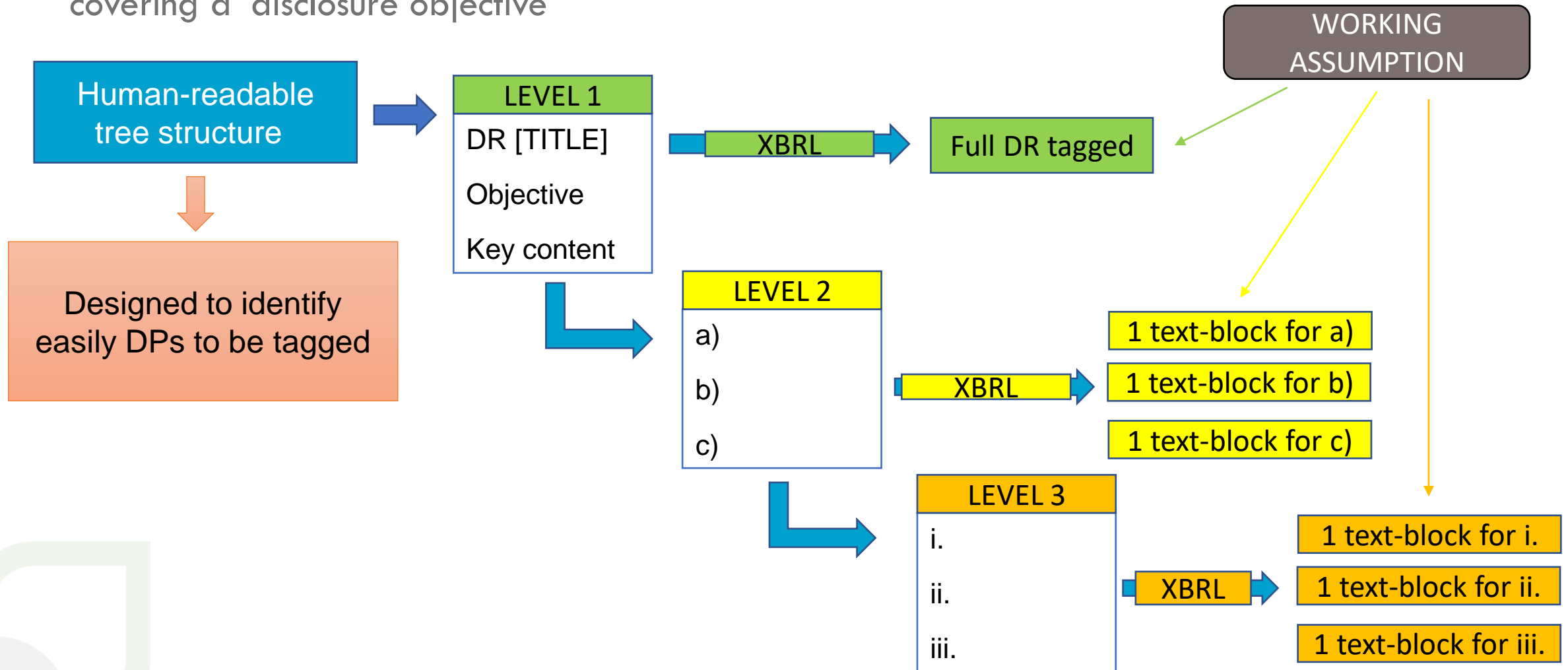
Example: ESRS 2 SBM-1

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Disclosure Requirement SBM-1 – Market position, strategy, business model(s) and value chain

36. The undertaking shall disclose its market position, the elements of its strategy that relate to or impact sustainability matters, its business model(s) and its value chain.

37. The objective of this Disclosure Requirement is to describe: the undertaking's market position; the elements of its general strategy that relate to or affect sustainability matters, the undertaking's business model(s) and key value chain, in order to provide an understanding of the undertaking's exposure to impacts, risks and opportunities and where they originate.

38. The undertaking shall disclose the following information about the undertaking's market position and the key elements of its general strategy that relate to or affect sustainability matters:

(a) a description of:

i. significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services);

ii. significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups);

iii. headcount of employees by geographical areas; and

iv. where applicable and material, products and services under bans in certain markets, including potential bans in relation to material public initiatives and considerations;

(b) a breakdown of total revenue, as included in its financial statements, by significant ESRS sectors. When the undertaking provides segment reporting as required by IFRS 8 *Operating segments* in its financial statements, this sector revenue information shall be, as far as possible, reconciled with IFRS 8 information;

(c) a list of the additional ESRS sectors beyond the ones reflected under paragraph 38(b), in which the undertaking develops significant activities, or in which it is or may be connected to material impacts. The identification of these additional ESRS sectors shall be consistent with the way these have been considered by the undertaking when performing its materiality assessment and with the way it discloses material sector-specific information;

(d) where applicable, a statement indicating, together with the related revenues, that the undertaking is active in:

i. the fossil fuel (coal, oil and gas) sector[5], i.e mining, extraction, production, processing, st transportation, storage and trade, of fossil fue Regulation (EU) 2018/1999 of the European P

ii. chemicals production[6], i.e., its activities fall und (EC) No 1893/2006;

iii. controversial weapons[7] such as anti-person weapons and biological weapons; and/or

iv. the cultivation and production of tobacco[8];

(e) its sustainability-related goals in terms of groups categories, geographical areas and relationships witl

(f) an assessment of its current market positions in relat

(g) a statement of the intended direction of the elements of the undertaking's strategy that relate to or impact sustainability matters, including the main challenges ahead, critical solutions or projects to be put in place, when relevant for sustainability reporting.

39. The undertaking shall disclose a description of its business model(s) and value chain, including:

(a) its inputs and its approach to gathering, developing and securing those inputs;

(b) its outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders; and

(c) the main features of its upstream and downstream value chain and the undertaking's position in its value chain, including a description of the main business actors (such as key suppliers, customers distribution channels and end-users) and their relationship to the undertaking. When the undertaking has multiple value chains, the disclosure shall cover the key value chains.

40. Reflecting the specific circumstances of the undertaking, there may be more than one value chain to be reported on in the sustainability statements. As a convention, in this and other [draft] ESRS the term "value chain" refers to both single and multiple value chains.

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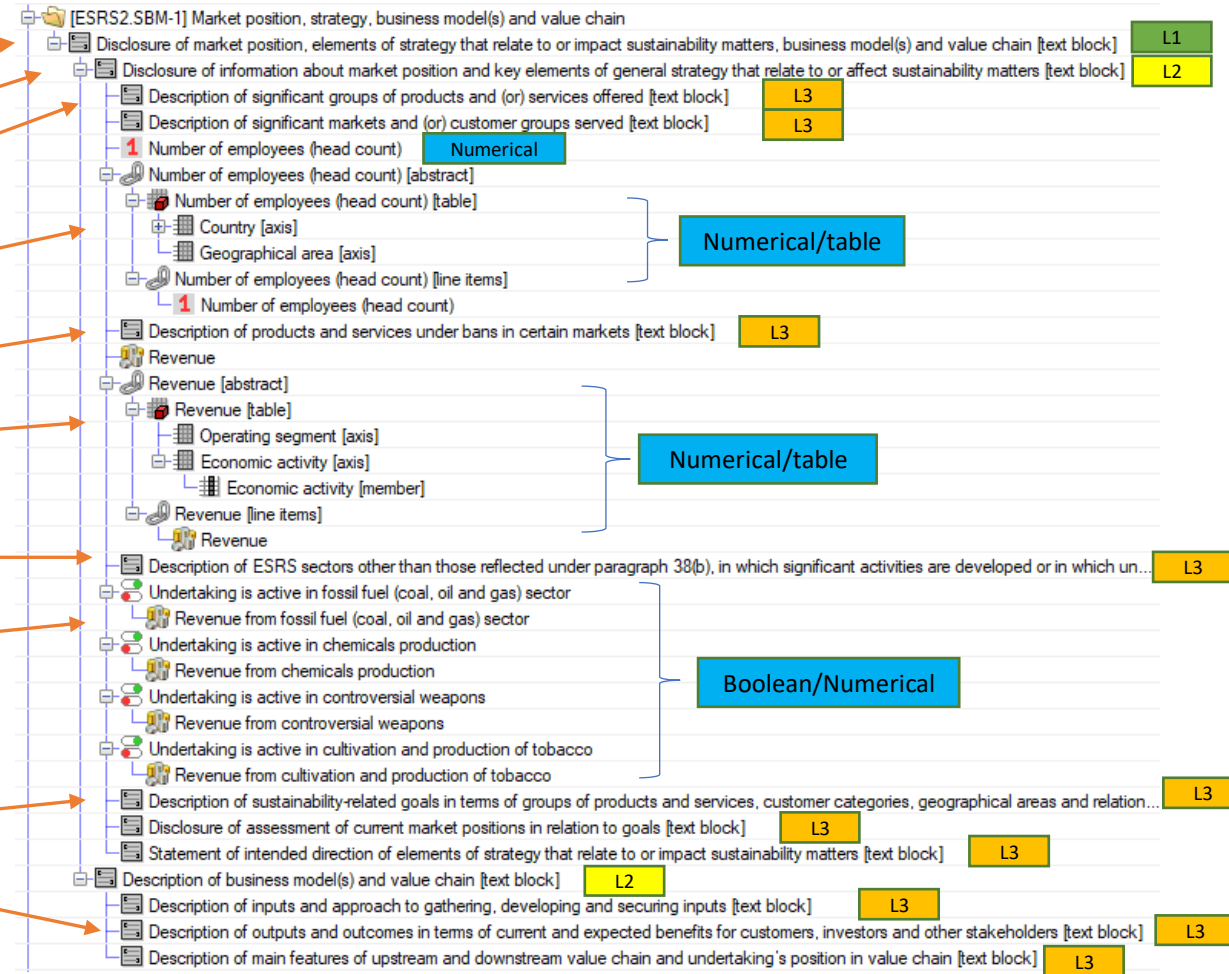
- LoS intends to capture/identify individual elements to be separately tagged within the same text because of their potential usability as separate datapoints

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Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies
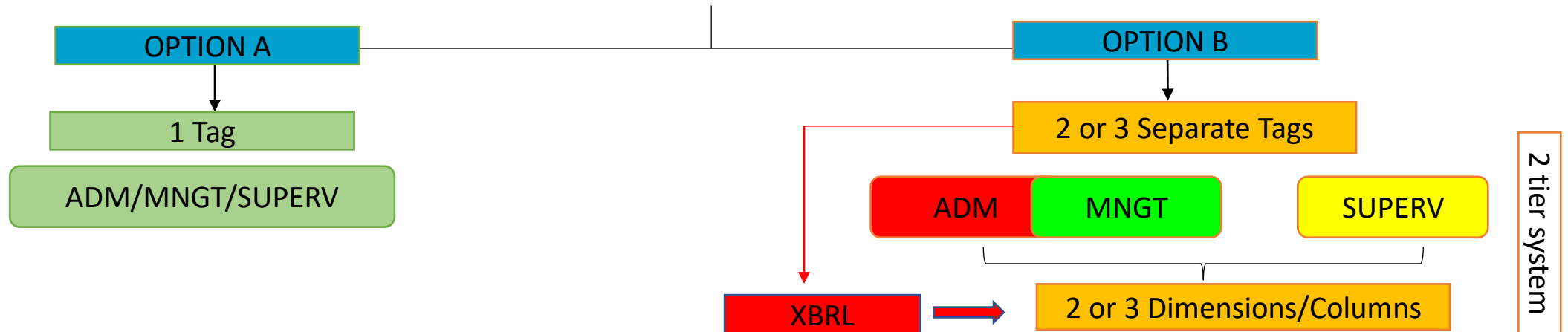
17. The undertaking shall disclose the composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters.

19.   The undertaking shall disclose the following information about the composition and diversity of the members of the undertaking's administrative, management and supervisory bodies:

(a)   classification of members between executive and non-executive;

(b)   representation of employees and other workers;

20. The undertaking shall disclose the following information about the roles and responsibilities of the administrative, management and supervisory bodies:

(a) the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual within a body responsible for oversight of impacts, risks and opportunities;

(b) how each body's responsibilities for impacts, risks and opportunities are reflected in the undertaking's terms of reference, board mandates and other related policies; […]

OPTION A		OPTION B

1 Tag		2 or 3 Separate Tags

| ADM/MNGT/SUPERV | | ADM | MNGT | SUPERV |

XBRL ➡ 2 or 3 Dimensions/Columns

2 tier system

10. Entity-specific content

- Entity specific aspects, like subsidiaries, impacts, risks, opportunities, products & services, policies, targets, etc. must not be considered "extensions" because it can be expressed with an "XBRL typed dimensions"

- XBRL taxonomy extensions should be limited to the necessary items, for the following reasons:
  - Taxonomy extensions are contrary to the idea of comparability. It should be avoided that taxonomy extensions can be "abused" to dilute standardised ESRS disclosures;
  - Technically, taxonomy extensions are complex to create and often require specialized software solutions.

- To cover such additional datapoints in a digital XBRL report , there are two possible approaches to tagging:
  1. The text block tag that covers the whole DR will automatically "include" the entity specific information. That means that the Level 1 of the narrative nesting levels should always be mandatory for tagging. In this case there is no tag for the 'other' elements and as such they cannot be extracted separately from the entire DR; or,
  2. For each Disclosure Requirement, the list of items that follows below the disclosure objective could be assumed to be systematically followed by an item of 'Other', that may or may not be populated/tagged depending on the undertaking's specific facts and circumstances. In terms of consequences for tagging, there will be an additional tag of 'other' information per each list of a), b) and c) and, where applicable, i), ii), and iii).

- In theory, option 1 would still allow analysts to implicitly distinguish entity specific content (not being tagged additionally with a nested tag) from content that is defined in one of the data points below the DR and therefore tagged with an additional narrative tag. However, separability between ESRS sector-agnostic and entity-specific content would not exist with the tagging.

10. Option 1: Capturing „Other" narrative content in a parent tag

Human-readable report	Nested Taggings

Disclosure on Market Position, strategy that relates to impact of sustainability related matters, our value chain and our business model
The following disclosures summarized our market position as well as our value chain and business model.

> **Disclosure of market position, elements of strategy that relate to or impact sustainability matters, business model(s) and value chain [text block]**

Description of Market Position and strategy
Lorem ipsum dolor sit amet, consectetuer adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.

> **Disclosure of information about market position and key elements of general strategy that relate to or affect sustainability matters [text block]**

Our products and services
Our markets and customer groups served, consectetuer adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros No products and services are under a ban in any of the markets.

> **Description of significant groups of products and (or) services offered [text block]**

Employees
The group has 721 employees in Germany, 1758 in Spain and 29 in Italy.

> **Number of employees (head count) [integer]**

Revenue by ESRS sectors:

Sector	Revenue as of 31.12 in m €
A	670943
B	3984293
C	586945
Total	45879231

> **Revenue by Sector [table]**

Description of value chain and our business model
Nunc viverra imperdiet enim. Fusce est. Vivamus a tellus.
Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac turpis egestas. Proin pharetra nonummy pede. Mauris et orci.

> **Description of business model(s) and value chain [text block]**

Description of Significant Customers
Lorem ipsum dolor sit amet, consectetuer adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.

> **Description of significant groups of products and (or) services offered [text block]**

Entity specific additional information might be included here in the narrative text. Proin nec augue. Quisque aliquam tempor magna. Pellentesque habitant morbi tristique senectus et netus et malesuada fames ac turpis egestas.

> *Other additional disclosure not separately and additionally tagged but captured in the parent tags*

Goals related to our products and services regarding sustainability related targets
Lorem ipsum dolor sit amet, consectetuer adipiscing elit. Maecenas porttitor congue massa. Fusce posuere, magna sed pulvinar ultricies, purus lectus malesuada libero, sit amet commodo magna eros quis urna.

> **Description of sustainability-related goals in terms (…) [text block]**

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- The introduction of the "Other … disclosure" tags makes entities additions to ESRS data points more explicitly tagged
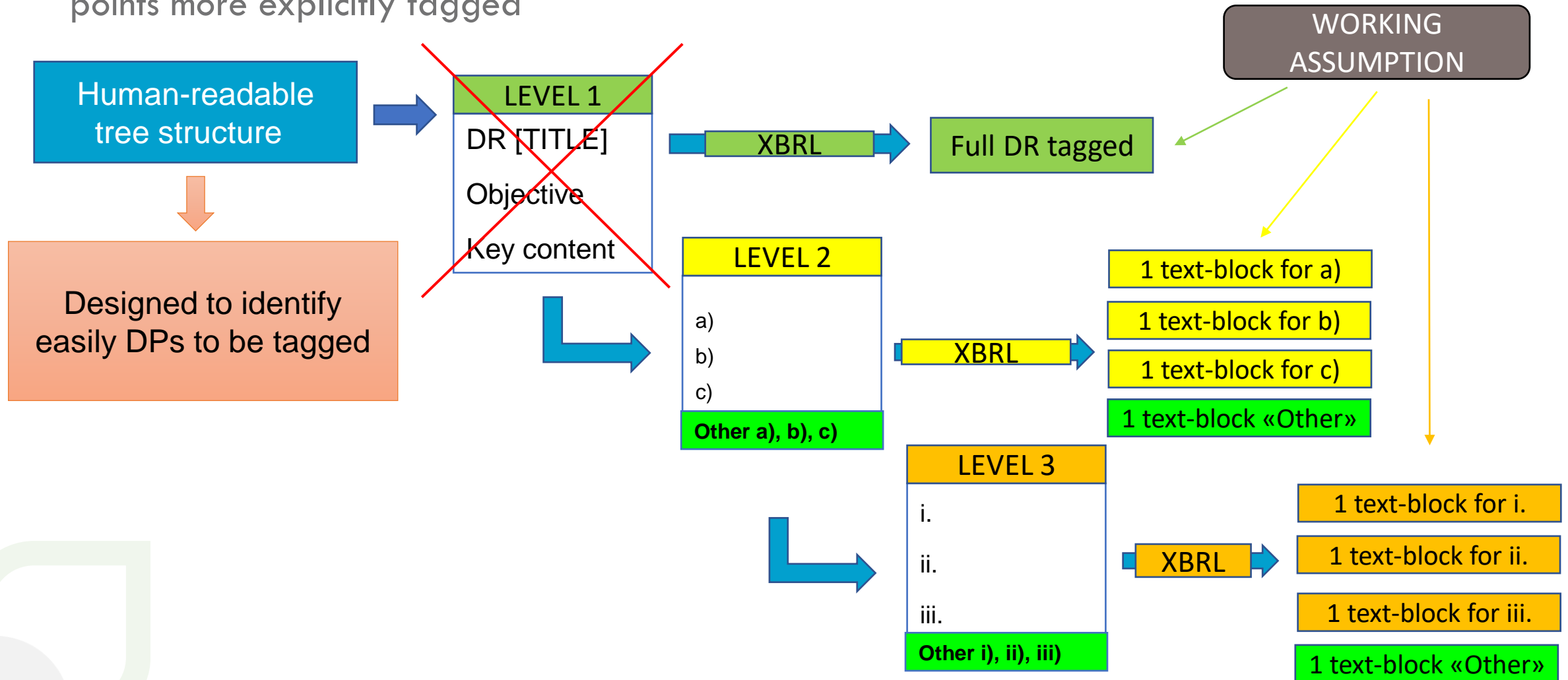
11. Implicit tagging as 'not material for the undertaking'

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- Single topics, DRs or even single data points might be omitted in an ESRS report. The information, that an item is omitted as "not-material" is beneficial for the users of the digital reports.

- Technically, it is possible to tag an item in XBRL with the technical value "nil" (not in list), which needs to be set manually by the undertaking. But given the sheer number of theoretical data points considering the dimensions makes this approach impractical for the universe of all data points. For instance, the DR E1-6 requires reporting of GHG Emissions, and with all the possible breakdowns (700 ESRS Sectors, 250 Countries, Operating Segments, etc.) the number of data points easily exceeds 1 million.

- EFRAG could develop a validation rule (warning), which checks if all the metrics other than those in the list of ESRS paragraph 32 are either tagged with content or tagged with "nil". This validation rule would signal a validation message (warning), informing the preparer as well as the receiving regulator and the auditor, that the undertaking has omitted X data points that are, as such, deemed to be "not material".

15. Implementation of the term "whether and how"

- According to the general approach, elements classified in the category A and B (numerical and boolean respectively) provide high level of comparability. Therefore, all "whether" are translated into Boolean XBRL tags. Whenever a "whether" is follow by a "how", aimed to provide contextual information (narrative disclosure), it has been translated into a separate text block tag in the XBRL taxonomy.

- However, it would also be possible to just have the "whether" tagged separately with a Boolean, and if the "how" is captured anyway with a parent block tag, an additional, nested narrative tag can also be omitted.

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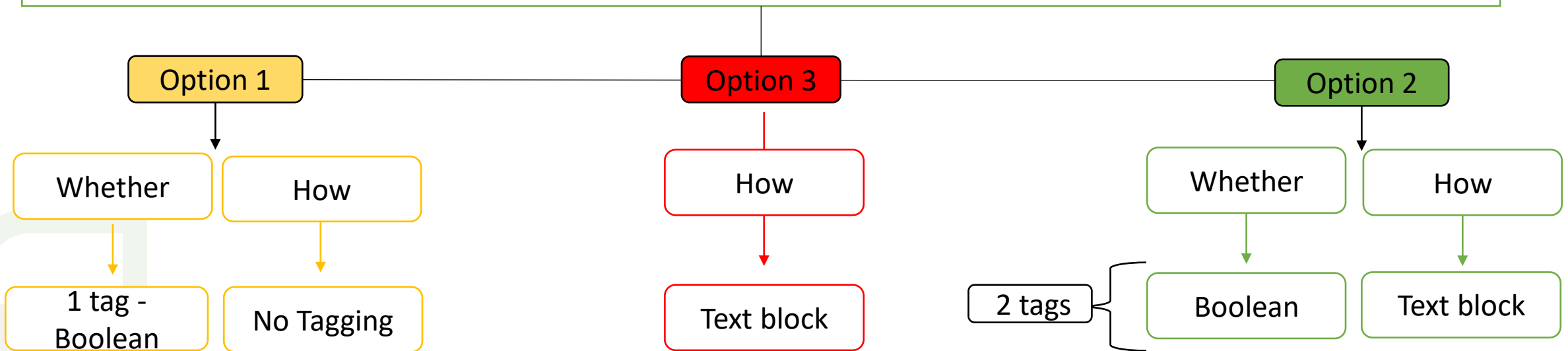
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