Feedback to ESMA's XBRL consultation 31.03.2025:

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Overall, the questionnaire reflects that it was developed before the Omnibus. All comments related to phase-ins and plans, etc., should of course be reconsidered in that context.

However, please also ensure that the plan for XBRL reporting is not postponed or further phased in than the underlying reporting regulations - simply because *some* consider XBRL tagging administratively burdensome. It is only burdensome if companies do not utilize artificial intelligence (AI) tools for tagging. ESMA should instead provide guidance on how companies, auditors, and authorities can use these tools to reduce the burden—ensuring that XBRL reporting is faster and produces better, more reliable files.

While AI is a transformative force in business and finance, it cannot replace XBRL because it lacks standardization, regulatory compliance, and structured data integrity. However, as indicated AI can significantly enhance how companies prepare, validate, and analyze XBRL reports, making the process faster, more accurate, and more insightful.

Rather than replacing XBRL, AI can be a powerful tool in optimizing and simplifying XBRL reporting by:

- **Automating data tagging –** AI can classify and map financial and non-financial data to the correct XBRL taxonomy.
- **Detecting errors and inconsistencies –** AI-driven anomaly detection can flag reporting mistakes before submission.
- **Improving data extraction –** AI can extract financial and non-financial data from different formats and convert them into structured XBRL reports.
- **Enhancing analytics –** AI can analyze XBRL reports, providing deeper insights for regulators, authorities, investors, and analysts.

Several AI-based XBRL-tagging tools are already on the market, and they work reasonably well. However, they still make mistakes, especially when dealing with complex, unique reporting needs or newly introduced regulations. Since AI can only learn from past data, it may struggle to apply new financial or non-financial reporting standards. Some of the errors these tools make are significant, requiring companies and auditors to validate and correct the automated tagging. Hence, the AI-tagging must be supported with regular assurance from both the company and the auditor, ensuring the reporting file is accountable and useful.

But with regards to the time plans, please ensure that the plans for XBRL reporting are aligned with the availability of the planned ESAP database but do not lag any further. The ESAP database is obviously essential to provide a place where companies can store their XBRL files—and where data users (including the companies themselves, who want to compare with peers) can find these files in a centralized repository with effective search and download functionalities. But it is not necessary to postpone the use of XBRL files beyond the time when the ESAP is ready to receive files.

To supplement the current considerations by some that AI could entirely replace XBRL, we would like to highlight an analysis from March 2024 by the BIS Innovation Hub (supported by the EU, Banco de España Eurosistema, Deutsche Bundesbank, and the European Central Bank). They recently finalized their Gaia project, which explored how generative AI handles climate risk analysis based on simple PDF-reports from companies. See more here: : BIS has been advocating for AI as a data extraction mechanism. While their report is somewhat promising, it also contains several concerning points that ESMA probably should carefully consider before potentially moving toward removing the need for XBRL tagging – if that is considered:

- **On page 24**, they tested LLM results against human-extracted data, with the following conclusion:
  "Out of these cases, Gaia results were accurate in 79.8% of the tests, while showing a divergence rate of 18.3%."
  It's doubtful that any company would be comfortable being represented with only 80% accuracy—or that investors would base decisions on such a level of precision.

- **On page 26**, there is a notable observation:
  "It is important to note that relying on LLMs does not, in itself, make the solution capable of handling multiple languages."
  Given the many languages used across the EU, this should be a key consideration for ESMA.

- **On page 27**, the report highlights concerns about AI hallucinations and overconfidence. Surprisingly, the analysis does not even touch on this critical question: it was tested using a single model. But what happens when 50 different AI/LLM models on the market are used by various data users? Would they extract the same data? Probably not. Would companies and investors be satisfied with such inconsistency? We highly doubt it.

For further context, please see our recent blog on why AI cannot replace XBRL, but it can reduce the tagging burden and improve reporting quality: AI cannot replace XBRL—but it can reduce the tagging burden and improve reporting quality - We Mean Business Coalition just as you also can read our report on data quality issues here: WMBC_Quality_Matters_report.pdf

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.

Yes

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.

No – especially Wave 2 does not need additional years. The lack or delay of digital reporting makes ESRS reporting nearly purposeless, as investors will not have access to the data. Therefore, it is not a good solution to delay digital reporting more than necessary. However, it may be a good solution to provide guidelines on how companies can use AI to make their digital tagging significantly less manual and secure better reporting quality – while ensuring that management and assurance are still performed before submission to the authorities, thereby maintaining accountability with the companies and the assurers.

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.

No – see reply to question 2

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.

No – see the reply to question 2. The phase-in will result in CSRD and Taxonomy reporting taking too long to become useful and accessible for capital providers. Also, consider this: why aren't validation rules applied immediately? Who can make use of invalid data?

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.

Yes – but make the plan as short as possible, since XBRL reporting should not be postponed.

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.

Yes

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.

Yes

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.

Yes

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.

No – see the reply to question 2. It takes too long before Taxonomy reporting becomes useful for capital providers.

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.

No – see the reply to question 2. It takes too long before Taxonomy reporting becomes useful for capital providers.

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.

Yes

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?

Yes

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?

No. The XBRL taxonomy for non-financial reporting should be equally as good as the one for IFRS reporting – otherwise is the reporting less useful for the capital providers.

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?

Yes – see our initial comments regarding providing guidance for how the companies, auditors and authorities can use AI to ensure the XBRL reporting is made faster, smoother and yet of better quality.

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.

Perhaps.
Our immediate answer would be **no** – because it's a matter of using the right AI tools, which can significantly reduce the tagging workload. The answer is also **no** if one believes that data users actually make use of non-quantitative data in their analyses. If that's not the case, then a more fundamental question arises: Why was it even proposed that the reporting regulations include all these non-quantitative elements?

However, one could also argue for a **yes**. When we discuss the use of ESG data with advanced financial institutions and other analysts, they often say that they use the quantitative data—currently purchased from data providers—to screen and identify a few interesting companies from among thousands. After that, they do a deep dive into these companies' reports, reading about strategies, risks, opportunities, etc.

But if the answer is **yes**, then the result is also that ESAP becomes primarily a tool for initial screening and analysis. So, the question becomes: Is that the intended purpose of ESAP?

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.

It depends on ESMA's own response to question 15: What do you want ESAP to become?

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.

See reply to question 15

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.

See reply to question 15

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.

Yes

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.

No – we have three suggestions:

- Include information about whether the company is publicly listed (Boolean).
- Include the name of the primary market where the shares are listed (if listed). Perhaps with a possibility to provide several names, in case the company is dual listed.
  Both of these informations are important to understand the reporting universe the company belongs to. For instance, companies with headquarters in the EU but listed on a non-EU regulated market are treated as non-listed companies for reporting purposes within the EU. This distinction matters for analysts.
- Remove the requirement to specify the software used to produce the report. Regardless of the software, the reporting file should be readable in a comparable way to all the others.

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.

Yes

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.

Yes

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.

Yes

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.

No – seems fine for now.

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.

Yes

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.

Yes

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.

No – see our initial comments regarding the use of AI tools for tagging. Many of the challenges and time consumption currently experienced stem from the fact that companies are still doing the tagging manually, rather than using the various AI tools available on the market for initial support.

As mentioned in our response to question 2, we would much prefer that ESMA provide guidance on how companies, auditors, and authorities can reduce the administrative burden from XBRL-reporting by using these tools.

Therefore, we also question whether the cost/benefit analyses are credible if they still assume that all companies and their auditors rely solely on manual tagging and review.

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.

To some degree, it is certainly true that the first year of reporting is more costly than the subsequent years. But be aware that many large company groups and complex conglomerates often report for several legal entities in a centralized way and benefit from economies of scale—so you cannot simply multiply the cost by the number of companies. Please also refer to our response to question 27.

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?

No – see previous replies.

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?

To some degree – but do see our previous replies

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?

To some degree – but do see our previous replies

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?

To some degree – but do see our previous replies

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?

To some degree – but do see our previous replies

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? 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).

Yes

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.

Not at the moment