BUSINESSEUROPE

POSITION PAPER

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Draft ESRS XBRL Taxonomy for the Revised ESRS

EFRAG Consultation

1. APPLY A CLEAR COST-BENEFIT AND PROPORTIONALITY TEST

Digital tagging entails significant operational effort and recurring costs for issuers. Mandatory requirements should therefore be retained only where they provide clear, decision-useful benefits that outweigh the associated preparation, control, assurance and technology burden. Where this test is not met, policymakers should simplify or remove the relevant obligations.

2. REASSESS THE ADDED VALUE OF TAGGING IN LIGHT OF TECHNOLOGY

Advances in artificial intelligence, including large language models, are changing how financial and sustainability reports can be accessed, analysed and compared. EFRAG and EU policymakers should assess whether extensive mandatory iXBRL tagging continues to provide sufficient incremental value and ensure that the digital reporting framework remains responsive to technological developments.

3. ALIGN TAGGING WITH THE SIMPLIFIED ESRS ARCHITECTURE

The revised ESRS are intended both to reduce disclosure requirements and to enable shorter, more flexible sustainability statements. It remains unclear how detailed tagging can fully accommodate cross-references and streamlined report structures. The taxonomy and tagging rules should preserve these simplification benefits, rather than indirectly encouraging duplication or a return to rigid, standard-by-standard reporting.

4. PRIORITISE QUANTITATIVE AND STANDARDISED INFORMATION

The taxonomy should focus first on quantitative datapoints and clearly defined categorical information, for which tagging is more reliable, consistent and useful for comparison. Extensive tagging of qualitative narrative disclosures may generate considerable preparation and assurance effort without an equivalent increase in decision-useful information, particularly where disclosures are entity-specific or highly contextual.

5. CLARIFY THE APPROACH TO ENTITY-SPECIFIC INFORMATION

The final taxonomy and tagging rules should clearly explain how entity-specific disclosures are expected to be tagged. In particular, they should clarify when companies should use the closest available taxonomy element and when extensions are required, as well as how such extensions should be anchored. The approach should avoid forcing unique or highly contextual information into standard tags that do not faithfully represent its meaning, while ensuring that entity-specific tagging remains proportionate, understandable and capable of being assured.

6. PROVIDE A CLEAR, PHASED AND REALISTIC IMPLEMENTATION PATH

Implementing digital tagging requires changes to data collection, controls, governance, reporting software and assurance processes. Companies need to begin preparing at least one reporting cycle in advance. Uncertainty over final requirements and the effective application date therefore makes planning, investment and testing materially more difficult. An adequate lead time should be provided after the taxonomy and related

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rules are finalised. In addition, companies should be allowed at least one full reporting cycle to test tagging on a voluntary or non-mandatory basis, without assurance requirements, before tagging becomes compulsory. Mandatory application should then be phased in, initially focusing on the most relevant quantitative and standardised information, or otherwise on a high-level layer of the taxonomy. Only after gaining sufficient implementation experience should the need for more granular tagging requirements be assessed, taking into account technological developments, including AI, the actual needs of users of sustainability information, and the associated costs for preparers. More detailed tagging should only be introduced where it provides clear additional value and is demonstrated to be necessary and proportionate, avoiding additional costs for preparers where such granularity is not justified.

7. MAKE DIFFERENCES IN REPORTING PERIMETERS TRANSPARENT

Common tags do not, in themselves, ensure comparability. Companies may legitimately apply ESRS reliefs that result in differences in reporting boundaries, scope or datapoint coverage. It is therefore unclear how the digital framework will adequately reflect these differences and avoid misleading users seeking to compare information across companies, particularly where figures appear equivalent but have been prepared using materially different reporting perimeters or bases.

EFRAG and EU policymakers should adopt a phased and proportionate approach that starts with the most relevant quantitative and standardised information, allows at least one reporting cycle for testing without assurance before mandatory application. Narrative tagging should be limited to cases where its benefits are clearly demonstrated, and the overall framework should be periodically reassessed against technological developments and the EU objective of reducing unnecessary administrative burdens.

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