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Subject: Staff Request for feedback on draft IFRS Sustainability Disclosure Taxonomy

Dear Sir,

ACTEO, whose object is to assure the participation of major French companies in the international harmonisation of accounting standards, AFEP, the French Association of Large Companies, and MEDEF, the French Confederation of Enterprises, welcome this opportunity to comment on the draft IFRS Sustainability Disclosure Taxonomy. Digitalisation is a key issue and many stakeholders are increasingly asking for machine-readable data. In order, to meet the needs of end-users whilst avoiding additional costs and burden for preparers it is critical to design and adequate taxonomy.

In this regard we would like to insist on the following key points before addressing some questions raised by the Staff:

- **Cooperation between international and European initiatives is essential:** as the Staff of the IFRS Foundation is reflecting on the structure of the IFRS Sustainability Standards Taxonomy, the EFRAG has published a proof of concept regarding a would-be European Sustainability Reporting Standards Taxonomy (ESRS Taxonomy). Since interoperability of the European and international sustainability reporting standards is on the agenda, and to avoid the establishment of two taxonomies with different concepts, cooperation between the two institutions should include discussions on the taxonomy. The answer to many questions raised by the Staff will depend on the choices made by the EFRAG for the ESRS Taxonomy.
- **Digitalisation should be phased-in:** we agree that digitalisation should be addressed from the very beginning of the standardisation process, in parallel with the definition of disclosure requirements. Digitalisation however should be implemented gradually to ensure reliability of the data reported. Building on the implementation of the European Single Electronic Format (ESEF), applicable to financial reporting in the EU, companies consider that the tagging should first apply to quantitative data before being extended to narrative information. The workload and costs related to digitalisation should not be underestimated considering, in particular, that:
 - sustainability reporting deals with matters that can be more complex than financial reporting which is more mature and standardised, and

- the very tight timetable for publication of both financial and sustainability reporting to which companies are subject.
- **The IFRS Sustainability Disclosure Taxonomy should be tested:** before adopting the taxonomy, robust field tests with preparers should be carried out within appropriate timeframes to ensure the feasibility and relevance of the tagging. The recommendations put forward by the Staff raise questions which are difficult to answer at this stage without further analysis and field-testing. We also understand that the ISSB plans to organise a consultation (comment period) in 2023. We invite the ISSB to consider allowing sufficient time so that companies can provide useful feedback.
- **Educational material would be welcome:** based on their experience with ESEF, companies consider that the publication of the IFRS Sustainability Disclosure Taxonomy itself may not suffice to ensure an effective implementation. In this regard, companies invite the ISSB to produce guidance and educational material to help preparers taking into account new issues arising in the course of implementation of the taxonomy.

To complement these general comments, you will find in the appendix attached specific comments regarding some questions raised by the Staff in the request for feedback document.

We would like to thank you for your consideration and remain at your disposal should you have any question.

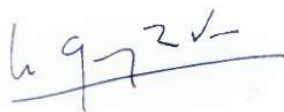
ACTEO

Lise Chorques



AFEP

Le Quang Tran Van



MEDEF

Karine merle



Cc. Emmanuel Faber, Chair, International Sustainability Standards Board

ACTEO, AFEP and MEDEF comments on the Staff draft of the IFRS Sustainability Disclosure Taxonomy

Question 1—Distinct taxonomy

Do you agree with the staff recommendation to create a distinct IFRS Sustainability Disclosure Taxonomy separate from the IFRS Accounting Taxonomy? Why or why not? If not, what alternative approach would you suggest and why?

Companies consider that the question regarding the opportunity to create a distinct taxonomy is more complicated than it appears. We acknowledge the arguments in favour of a distinct taxonomy presented by the staff in the request for feedback document but consider that pros and cons should be analysed further in liaison with question 9 regarding the modelling of similar disclosures in IFRS Accounting Standards and in the IFRS Sustainability Standards. Considering furthermore the objective to strengthen connectivity between financial and sustainability reporting we wonder whether one or two distinct taxonomies would be more instrumental in enhancing said connectivity. Companies also anticipate that implementing two taxonomies, in particular in a “built-in” approach, would be more burdensome (more technical constraints) and hence more expensive. The decision to develop two distinct taxonomies would also depend on the choice that will be made at EU level. At this stage companies consider therefore that the question cannot be definitely settled and further analysis is necessary. This question illustrates the need for cooperation between EFRAG and the ISSB and robust field tests with preparers.

Question 2—Taxonomy grouping

Do you agree with the staff recommendation to organise the general content of the IFRS Sustainability Disclosure Taxonomy, by both:

- IFRS Sustainability Disclosure Standard; and
- aspects of core content?

Do you agree with the staff recommendation to organise the content in the IFRS Sustainability Disclosure Taxonomy related to industry-based metrics separately and organised by the industry for which they are specified? Why or why not? If not, what alternative approach would you suggest and why?

The Staff is recommending to organise the general content of the IFRS Sustainability Disclosure Taxonomy, by both IFRS Sustainability Disclosure Standard and aspects of core content. The Staff recommendation would offer preparers and users two ways to access the taxonomy. Companies consider that this would enhance usability of the taxonomy and support this recommendation.

Question 3—Relationship between the *General Requirements Exposure Draft* and *Climate Exposure Draft* in the Taxonomy

Do you agree with the staff recommendation to reflect the proposed disclosure requirements related to each aspect of core content as a separate list of distinct elements (line items) for each of the [draft] IFRS Sustainability Disclosure Standards?

Why or why not? If not, what alternative approach would you suggest and why?

The staff is recommending to reflect the proposed disclosure requirements related to each aspect of core content as a separate list of distinct elements for each of the IFRS Sustainability Disclosure Standards. In this regard, companies are concerned by the risk of double tagging. For instance where a board has established a single committee in charge of monitoring all sustainability risks (climate-related risks but also other environmental and social risks), would the Staff's recommendation result in a multiple tagging of said committee under IFRS S1, IFRS S2 and so on ? Without additional guidance or at least practical illustrations to understand the implications of the Staff recommendation, companies cannot decide on this issue.

Question 4—Granularity of narrative information

Do you agree with the staff recommendation that, as a principle, distinct taxonomy elements should be created for narrative information that is expected to be both separately understandable to primary users of sustainability-related financial information, and easily identifiable for tagging? Why or why not? If not, should taxonomy elements generally be provided to represent more detailed or less detailed narrative data sets? Why?

This principle, applied to the disclosure requirements proposed in the exposure drafts, has resulted in the staff recommending the creation of:

- narrow scope narrative elements typically corresponding to disclosures to be provided to meet proposed requirements listed in first-level subparagraphs of the exposure drafts
 - In which, if any, cases do you think the most detailed taxonomy elements that should be included in the Taxonomy correspond to a different level of the requirements proposed in the two exposure drafts?
- wider scope narrative elements corresponding to wider (paragraph level) proposed disclosure objectives and to entire aspects of proposed core content
 - In which, if any, cases would additional or alternative narrative elements covering wider disclosures be beneficial?

Companies consider that the tagging of narrative information should be phased-in starting, for instance, with a “block” tagging before increasing the granularity. Furthermore, the level of granularity should be defined in cooperation with the EFRAG in order to ensure consistency. This said and in theory, we would agree with the Staff approach to start with a wide scope of narrative elements and narrowing the tagging down to elements that users can understand as discrete pieces of information. Phasing-in the requirement to tag narrative information would allow to perform field-tests and fine tune the proper level of tagging.

Question 5—Categorical elements

Do you agree with the staff recommendation to use categorical elements for narrative disclosures that can be represented as either true or false responses or choices from lists of responses? Why or why not?

Do you agree with the staff recommendation to create specific categorical elements and their properties? Why or why not? If not, do you think any additional categorical elements are needed and, if so, which ones?

As mentioned above, we consider that the tagging of narrative information should be phased-in. The recommendation of the Staff to introduce categorical elements should be further analysed and field-

tested to ensure that the use of categorical elements will not have unintended consequences. Companies are concerned in particular about an increase of the length of their reports. As a matter of fact, the tagging of Boolean elements (false or true) would require preparers to include negative statements that could be confusing or impair the comprehensibility of their reports. For instance, when a reporting entity has not changed the process for identifying, assessing and prioritizing sustainability-related risks compared to prior reporting period, said entity will have to include a negative statement in order to allow the tagging of this element.

Question 6—Modelling metrics

Do you agree with the staff recommendation to:

- create elements, equivalent to those in the SASB Taxonomy, for defined metrics common to IFRS Sustainability Disclosure Standards and SASB Standards in the IFRS Sustainability Disclosure Taxonomy?
- model disclosures related to entity-specific metrics and targets using a dimensional approach?

Why or why not? If not, what alternative approach would you suggest and why?

Companies would welcome clarifications regarding the dimensional approach recommended by the Staff and how it relates to the creation of extensions. Since entity-specific metrics will be defined by each preparer, companies are concerned that the approach recommended would impose unjustified constraints and add to the complexity of the tagging of sustainability information. Companies insist again on the fact that the modelling of entity-specific metrics in the IFRS Sustainability Disclosure Taxonomy needs to be consistent with the modelling in the ESRS Taxonomy.

Question 7—Representing related information

Should the IFRS Sustainability Disclosure Taxonomy include a specific mechanism to capture connections between related pieces of information—for example, connections between sustainability-related financial information and information in the financial statements or connections between pieces of sustainability-related financial information? If you do, are you aware of a mechanism that can be used without imposing undue costs on preparers and users of digital reporting? If so, please explain that mechanism.

Alternatively, do you think that the narrative elements in the staff draft of the IFRS Sustainability Disclosure Taxonomy would adequately capture such connections for users of the information without imposing undue costs for preparers and users of digital reporting?

Companies consider that the narrative elements in the Staff draft of the IFRS Sustainability Disclosure Taxonomy would adequately capture connections between sustainability-related financial information and information in the financial statements as well as connections between pieces of sustainability-related financial information, without imposing undue costs for preparers and users of digital reporting. They consider therefore that there is no need to introduce any specific mechanism that would increase the complexity of the taxonomy or the costs of its implementation.

Question 8—Connections between reports

Do you agree with the staff recommendation that requirements related to cross-references in the IFRS Sustainability Disclosure Taxonomy should not be modelled explicitly?

Why or why not? If not, what alternative approach would you suggest and why?

We agree with the Staff recommendation that requirements related to cross-references in the IFRS Sustainability Disclosure Taxonomy should not be modelled explicitly.

Question 9—Similar disclosures in IFRS Accounting Standards and in the [draft] IFRS Sustainability Disclosure Standards

Do you agree with the staff recommendation to, in principle, model disclosure requirements of the [draft] IFRS Sustainability Disclosure Standards in the staff draft of the IFRS Sustainability Disclosure Taxonomy in the same way similar disclosure requirements of the IFRS Accounting Standards are modelled in the IFRS Accounting Taxonomy, except for categorical information? (Paragraphs 124–132)

Do you agree with the modelling in the staff draft of the IFRS Sustainability Disclosure Taxonomy for disclosures that are similar to their counterparts in the IFRS Accounting Standards? (Appendix G) Are there any other disclosures that are sufficiently similar between those set out in the [draft] IFRS Sustainability Disclosure Standards and those in IFRS Accounting Standards, and for which consistent modelling should be considered?

The Staff is recommending the same modelling in both the IFRS Accounting Taxonomy and the IFRS Sustainability Disclosure Taxonomy for identical disclosure requirements in order to facilitate the identification of these elements. However, this solution would still result in creating two sets of elements with different characteristics as explained by the Staff (different “ownership identifier” for instance) and making them technically different. In this regard, companies are concerned about the complexity that such solution could introduce in the tagging of their reports. Having the same elements for identical disclosure requirements would imply having only one taxonomy and therefore this question needs to be addressed with Question 1. At this stage, companies consider that the question cannot be definitely settled and further analysis is necessary (please refer to our answer to Question 1).

Question 10—Other comments

Do you have any other comments or suggestions on the staff draft of the IFRS Sustainability Disclosure Taxonomy?

Not addressed

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