

Mr. Valdis Dombrovskis
Vice-President of the European
Commission
European Commission
Rue de la Loi/Wetstraat 200
1049 Brussels
Belgium

Brussels, 7 March 2018

Re: ESMA's Draft Technical Standard on the European Single Electronic Format (ESEF)

Dear Vice-President Dombrovskis,

We are writing to express concerns of EU companies regarding the draft Regulatory Technical Standards (RTS), specifying the new digital format in which issuers should prepare their Annual Financial Reports (AFRs) starting from 2020. The draft RTS, published by European Securities and Markets Authority (ESMA) in December 2017¹, obliges listed European companies to file their annual reports as a XHTML document in which the consolidated financial statements in IFRS shall be encoded in the so-called inline XBRL (iXBRL)-format.

Our organisations are not supportive of the introduction of a mandatory structured electronic reporting for companies, as we believe that it would generate additional costs for companies that would outweigh the benefits for both investors and companies. Companies consider that the ESMA has not sufficiently consulted or tested its proposal regarding the benefits, expectations or demands of the investors. Potential end-users we have been in contact with show little or no interest in iXBRL but are rather keen on receiving more qualitative information on strategies of public companies as well as on other matters of increasing importance such as ESG topics. We also understood that many investors – in particular retail ones – also tend to prefer PDF format, which would also meet the requirements of Article 4 of the Transparency Directive² that mandates ESMA to develop the draft Regulatory Technical Standards specifying the electronic reporting format.

Therefore, we question whether the additional and significant costs related to the implementation and ongoing maintenance of iXBRL are justified, given investors' preference for other searchable formats such as PDF, and that iXBRL is already an outdated technology, dating back to 1980s, meaning they are older than PDF. We believe that in line with the Digital

¹ ESMA 32-60-204, 18 December 2017.

² Directive 2013/50/EU

Agenda, the European Single Electronic Format should rather provide for solutions which are state-of-the-art and flexible both for companies and investors. Furthermore, in line with Better Regulation principles, any costs connected to the implementation of the European Single Electronic Format, should be commensurate and justified by major advantages for the users and preparers.

Therefore, we are calling on the European Commission, the European Parliament and the Council of the European Union to properly reflect on ESMA's proposals, taking into account investors' and companies' preferences and concerns, and consider rejecting the draft Regulatory Technical Standard before they are enacted.

We thank you for your consideration and remain at your disposal to answer any questions you may have.

Yours sincerely,



Markus J. Beyrer

Director General
BUSINESSEUROPE



Florence Bindelle

Secretary General
EuropeanIssuers

Copy:

Ms. Elina Melngaile, Member of Cabinet of Vice-President Dombrovskis

Ms. Nathalie de Basaldúa, Director of Investment and company reporting, DG FISMA

Mr. Alain Deckers, Head of Unit, Accounting and financial reporting, DG FISMA

Annex: Background information

ANNEX: Background

Article 4 paragraph 7 of the Transparency Directive mandated ESMA to develop draft Regulatory Technical Standards specifying the electronic reporting format. In 2015, ESMA launched a consultation on its Draft RTS, which was followed by its feedback statement stating that Inline XBRL is the most suitable technology to meet the requirement of the Transparency Directive for issuers to report their annual financial reports in a single electronic format. This came despite the mixed feedback received in response to the consultation. ESMA's approach was mostly supported by accounting bodies, regulators, audit and consulting firms, and IT services providers, while many preparers and their representative bodies raised objections. **A considerable number of these respondents believed that the ESEF should require the use of PDF only**, which nowadays allows to search and copy. Following criticism of certain respondents (including EuropeanIssuers³), ESMA conducted another cost-benefit analysis, nevertheless without remedying the major shortfalls of the first one, meaning lack or questionable independence of the contractor and lack of sufficient consulting, analysis and understanding of investors' needs.

In the summer 2017, ESMA conducted field tests allowing approximately 25 companies to learn how the Inline XBRL format can be applied and aiming to provide an opportunity to contribute to the development of the specifications of a European Single Electronic Format that better fits their reporting needs. From what we heard, the participants did not have an opportunity to give their views on other issues than those related to the testing of the taxonomy prepared by ESMA and software tools available in the market. In the field tests, ESMA focused on the preparation of reports and not their use, as stated in the Final Report from ESMA. Furthermore, other issuers have not had a chance to participate in the discussions and to contribute to the outcome of the field test or to give their views on other related issues, which will have an important impact on the costs and the risks faced by companies regarding upcoming rules.
