



Steven Maijor, Chairman  
ESMA  
103 rue de Grenelle  
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France

Cc: DG-FISMA, EFRAG

9 March 2017

Dear Mr Maijor,

**Re: Feedback Statement on the Consultation Paper on the Regulatory Technical Standard on the European Single Electronic Format (ESEF)**

BUSINESSEUROPE would like to express its concern regarding the position taken by ESMA in its feedback statement on ESEF. According to ESMA, issuers must prepare their annual financial reports in the human readable XHTML format. When annual financial reports contain IFRS consolidated financial statements issuers must label this information through the Inline XBRL format.

In the ESMA feedback statement (page 7, paragraph 8) it is concluded: "Overall, the feedback received indicates mixed positions regarding financial reporting in a structured electronic format. While most accounting bodies, auditors, regulators and service providers were overall supportive of the mandatory introduction of structured reporting for AFRs, many preparers and their representative bodies raised objections. Many considered that as no full impact assessment of this legislative requirement had been performed by the EC, that not sufficient evidence of the need for electronic reporting had been provided. A considerable number of these respondents hold the opinion that the ESEF should require the use of PDF only."

BUSINESSEUROPE in its response to the Consultation Paper on ESEF supported a PDF-based solution, a solution not covered by the impact assessment performed by

ESMA. BUSINESSEUROPE strongly believes that a PDF-based solution is a far more cost-effective solution for issuers than XHTML/Inline XBRL for electronic format reporting. BUSINESSEUROPE also believes that a PDF-solution would satisfy the needs of many users.

BUSINESSEUROPE considers that the ESMA position, settling on a technical standard based on Inline XBRL without an impact assessment of the PDF-solution, is in conflict with fundamental principles for efficient and focused regulation. It also deviates from the spirit of 2015 EU Better Regulation Communication setting up the REFIT Platform, seeking to advice the Commission on how to make EU regulation more efficient and effective while reducing burden and without undermining policy objectives.

BUSINESSEUROPE would like to reiterate that electronic reporting needs to cater for the diversity in the details – tailored to specific situations – of the annual reports incorporating the financial statements. Companies around Europe are investing huge resources into targeting the information provided in annual reports including the financial statements towards their users. Initiatives include – but are not limited to – rearranging the disclosures, for example grouping based on materiality or topic; integrating the description of accounting policies with related disclosures; integrating (as far as possible) the management information and other non-financial information and disclosures in the financial statements to ensure the coherence of the reporting; and shifting part of the reporting to websites.

Expanding non-financial and financial reporting requirements further increase the need for businesses to carefully consider how to arrange their financial information in order for it to stay relevant for users of their financial statements. These efforts are supported by principle-based IFRS, which, for example, quite rightly does not provide for predefined models for presentation or for footnote disclosures.

Furthermore, not all but many preparers already have online investors' media centers providing a full range of information. Given this, many preparers experiment with new ways of communication with their investors. Hence BUSINESSEUROPE fears that requiring XHTML and inline XBRL could prevent preparers from striving towards the best way of informing their investors and instead settle for a standardized format that does not provide the most useful information.

Therefore, BUSINESSEUROPE believes it is important that the full annual report, including audited IFRS consolidated financial statements, can be filed as a PDF, as this is currently the best suited method for filing meaningful annual reports, including financial statements based on principle-based IFRS, that also cater for the necessary



diversity mentioned above. A PDF-solution also ensures that the integrity of financial information is protected, avoiding e.g. questions if the electronically filed information is an authentic copy of the annual report or not. In this respect BUSINESSEUROPE strongly believes that Inline XBRL for the time being is not the way to go.

Please do not hesitate to contact us should you wish to discuss these issues any further.

Yours sincerely,

Jérôme Chauvin