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| 25 September 2015 |

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| Reply form for the Consultation Paper on the European Single Electronic Format (ESEF) |
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| Date: 25 September 2015 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in Consultation Paper on the European Single Electronic Format (ESEF), published on the ESMA website.

*Instructions*

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

* use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
* do not remove the tags of type < ESMA\_QUESTION\_ESEF \_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
* if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

* if they respond to the question stated;
* contain a clear rationale, including on any related costs and benefits; and
* describe any alternatives that ESMA should consider

**Naming protocol**

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA\_ ESEF \_NAMEOFCOMPANY\_REPLYFORM.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA\_ESEF\_XXXX\_REPLYFORM

To help you navigate this document more easily, bookmarks are available in “Navigation Pane” for Word 2010 and in “Document Map” for Word 2007.

***Deadline***

Responses must reach us by **24 December 2015.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input/Consultations’.

***Publication of responses***

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

***Data protection***

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings ‘Legal notice’ and ‘Data protection’.

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_ESEF\_1>

RESPONSE OF:

* COMPAGNIE NATIONALE DES COMMISSAIRES AUX COMPTES

16 Avenue de Messine 75008 Paris

* CONSEIL SUPERIEUR DE L’ORDRE DES EXPERTS-COMPTABLES

19 rue Cognacq Jay 75341 Paris Cedex 07

<ESMA\_COMMENT\_ESEF\_1>

**Question 1: The provisions included in the amended Transparency Directive requiring a single electronic format were not subject to a formal impact assessment by the European Commission. While from a legal point of view ESMA could not address in this CP whether there is a need for the provisions included in the amended Transparency Directive, do you believe that a wider assessment should be performed on the requirements of introducing a single electronic reporting format in Europe? Please indicate your opinion and provide arguments.**

<ESMA\_QUESTION\_ESEF\_1>

We think that no additional impact assessment is necessary but we note that this subject is not well known by preparers, users, investors and even auditors. We think that educational sessions should be developed by ESMA so that interested parties could assess the benefits of using electronic structured reporting and to avoid the risk of rejection of this proposal.

We support the requirement of introducing a single electronic reporting format for issuers in Europe, in a proportionate and progressive manner. As indicated above, education will be needed before there will be buy-in from all interested parties. Also, there are still some issues to be dealt with from an implementation perspective, as we highlight in our comments to the questions below. Nonetheless, we would expect it ultimately to be beneficial for financial markets in order to facilitate access, enhance comparability and reliability of financial information as outlined in the Transparency Directive.

In addition we believe that issuers could better control how the financial information they produce is being accessed by analysts and investors. We understand that before using the financial information, analysts and/or investors may rely on intermediaries, who extract and manipulate the data so as to be ultimately used by analysts. Using electronic structured reporting would reduce the risk of errors, for instance if financial data are entered manually in an electronic system to enable automatic analysis as it is the case today for some analysts.

Consequently, as far as small and mid-caps are concerned, we would hope that moving towards reporting using an electronic structured format would ultimately reduce the cost of analysis by analysts, give easier access to the financial information of such companies and thus reduce their cost of capital. We note that generally analysts do not follow up these issuers due to significant costs.

We also noted that electronic structured reporting formats are already in place in different countries and in UE with acceptable implementation costs.

For these reasons, we believe that the UE should progress in the implementation of a single electronic format, including the use of structured reporting format.

There is a set date of 2020 as included in the Directive but we recommend that ESMA develop an implementation and communication plan, which may extend beyond 2020 with respect to the use of structured reporting format. It is important that ESMA assess the cost/benefit of the options that remain, and will need, to be taken at every stage, especially with respect to the selection of the technology and the level of granularity of information required in the single electronic structured format. The period before an implementation by 2020 is short considering the implementation issues still to be solved and ESMA may want to consider a phased approach in moving forward towards reporting under a structured format, which may not be limited just to the reporting of the IFRS financial statements as we advocate below.

<ESMA\_QUESTION\_ESEF\_1>

**Question 2: Do you agree with the description of the policy objectives as included in this section? Are there any further elements that you believe should be analysed? If yes, please indicate them.**

<ESMA\_QUESTION\_ESEF\_2>

Yes, we agree with the general policy objectives included in the Transparency Directive and believe that no further elements should be analysed.

<ESMA\_QUESTION\_ESEF\_2>

**Question 3: Do you believe that the introduction of electronic reporting should serve as a basis for further debate on auditing of electronic structured data? Please explain your reasoning.**

<ESMA\_QUESTION\_ESEF\_3>

Yes, we believe that a further debate on auditing of electronic structured data should be considered.

The IAASB’s current auditing standards and probably most auditing standards in EU member states do not deal at all with the auditor’s responsibilities and involvement with XBRL–tagged data. ISA 720 - (REVISED), *The Auditor’s Responsibilities relating to Other Information* even mentions that “*eXtensible Business Reporting Language (XBRL) tags do not represent other information as defined in this ISA*”. Tagged data would require the auditor’s consideration as part of the financial statement audit.

However, since one of the objectives outlined in the amended Transparency Directive is to facilitate analysis of financial information not only for investors, but also for analysts, financial institutions, competent authorities, etc., it is important that:

* the information that is made available in a structured electronic format (in full or partly) be as reliable as the underlying financial data used,
* the professional accountant auditing the “paper” financial statements and verifying the “paper” AFR be associated as far as possible with the information provided in that format (confidence given to users and investors should remain connected to the media used for financial reporting and analysis),
* and, why not, “audit tags” remain with the underlying data when the data are disassembled and repackaged for analysis purposes.

If there is no doubt as to the need for some kind of assurance from auditors, the scope of it will depend on the expectations of users and on the regulatory framework applicable to both reporting to shareholders and filing of the AFR:

* At present, the AFR is issued to shareholders and filed with the competent authority in a paper document or human-readable format.
* It is expected to be filed with the competent authority in a structured electronic format (in full or partly) by 2020. Will that be in addition to the paper filing or in lieu of such filing?
* So far the structured electronic rendering to shareholders is not contemplated by the EU directives but cannot be excluded in a further stage, if for example the technology chosen allows for a human-readable output from a structured electronic format. If a single electronic format is required for the AFR, the audit opinion which focused on the financial statements as a whole presented in a document paper may move to the audit of electronic structured data presented in a structured electronic format.

The range of services that might be rendered by auditors depend on (1) that framework, (2) the option chosen (A, B or C as highlighted in ESMA’s consultation document), (3) the nature and extent of the use of AFR in a structured electronic format by the different stakeholders, … and can be spread over time depending on the (hopefully growing) maturity of the issuer as the 2020 target date approaches. Such services encompass:

* Agreed-upon procedures on XBRL or other forms of electronic-tagged data, to reassure the governance bodies in their oversight role (non-public reporting),
* Assurance engagements on the controls over the tagging process and on the accuracy of the data produced,
* Assurance engagements on the XBRL or equivalent version of the financial statements (“instance documents”),
* Audit of the structured electronic reporting that is integrated with the audit of financial statements.

We note that for the time being some obstacles remain, in order to be able to give an audit opinion on electronic structured data and files such as :

* Legal status of the taxonomy and decisions related to taxonomy extensions as outlined in question 7 & 8;
* lack of available auditing standards;
* the level of assurance that will be expected by users and investors;
* the legal value of the electronic files compared with a document paper.

Should the non-structured format be abandoned, and only a structured format be required, some additional discussions would have to be initiated on legal aspects:

* What will be the legal value of the structured electronic format in terms of reporting to shareholders?
* Will it have to be approved by the Board of Directors?
* What format will be approved by the shareholders?
* How will the integrity of the structured electronic reporting be secured in order to make sure it will not be modified after signature?

We therefore encourage, if not urge, ESMA to start a debate on ”auditing” of electronic structured data as soon as possible, with all relevant interested parties, including the audit standard setters which will also have to move forward in parallel.

<ESMA\_QUESTION\_ESEF\_3>

**Question 4: Are you aware of any further elements which are necessary to provide an accurate picture of the current reporting for the purpose of this CP?**

<ESMA\_QUESTION\_ESEF\_4>

No, we are not aware of other elements to take into consideration in France in your analysis for the European single electronic format (ESEF).

<ESMA\_QUESTION\_ESEF\_4>

**Question 5: Do you agree with the description of the technologies included in the CP?**

<ESMA\_QUESTION\_ESEF\_5>

The technical analysis of the technologies available is a complex matter.

We think that the first priority is to assess if the technology selected fulfills all the specified requirements such as allowing the display of human-readable annual financial report.

We recommend that ESMA involve experts in a working group to perform this technical analysis and review existing experience in EU member states and elsewhere before confirming its detailed plans and provide its recommendations.

<ESMA\_QUESTION\_ESEF\_5>

**Question 6: Do you agree with the choice of the technologies to be further analysed as part of the CBA? If not, please indicate which other technologies you would propose for further analysis.**

<ESMA\_QUESTION\_ESEF\_6>

See Q5

<ESMA\_QUESTION\_ESEF\_6>

**Question 7: Do you agree with ESMA’s proposal to use the IFRS taxonomy as issued by the IFRS Foundation for reporting under IFRS, subject to formal endorsement in the European Union?**

<ESMA\_QUESTION\_ESEF\_7>

Yes, we agree with the use of the IFRS taxonomy as issued by the IFRS Foundation as a basis for reporting under IFRS.

We noted that the IFRS taxonomy has been completed based on all the requirements of IFRS including all the items to be disclosed in the notes (with a detailed level of granularity).

However we think that some issues should be addressed by 2020 in order that the implementation of the IFRS taxonomy could be a success, including the principles that would guide the use of the appropriate level of granularity of the information provided. In that respect, we would urge ESMA to call on the IASCF Foundation and the IASB so that they further develop guidance on how a company can reconcile the objectives pursued under the Disclosure initiative and reporting using the IFRS taxonomy, whilst at the same time enabling meaningful comparisons of their financial information with other companies by analysts and investors.

To meet the project’s objectives, implementation of ESEF requires reflection on how to implement the IFRS taxonomy. Such reflections should aim at both facilitating issuers’ preparation of the reporting as well as meeting the users’ objectives such as comparability. It is important that both the IASCF Foundation and the IASB provide further guidance in this respect.

Also, we recommend that, at European level, ESMA implement an ad hoc committee in order to examine the IFRS taxonomy, assess its adequacy with the European requirements and possibly propose adaptations of the IFRS taxonomy to satisfy European needs if they were to differ from the needs identified at a global level. This is likely to be the case as European companies operate within the requirements of specific European laws and regulations.

In that respect, as the IFRS taxonomy is developed by IASB, a private organization, if structured electronic reporting format based on IFRS taxonomy is required by the European legislation, the IFRS taxonomy will become a part of European law and it needs to be adopted by the EU for legal security purpose.

However we think that the current European endorsement process may not be adapted or adequate for an IFRS taxonomy endorsement and that a specific endorsement process may need to be investigated.

<ESMA\_QUESTION\_ESEF\_7>

**Question 8: Do you agree with ESMA’s preliminary conclusions not to use regulatory and entity specific extensions? Please provide arguments in your answer in relation to the impact on issuers and users.**

<ESMA\_QUESTION\_ESEF\_8>

 No, we do not agree.

The use of extensions is a complex matter that needs to be carefully considered in relation with the implementation strategy that will be decided by ESMA for ESEF.

IFRS are non-prescriptive to the extent that companies have flexibility in the way they present their financial statements. For that reason the IFRS taxonomy does not cover all possible disclosure that a company may think appropriate to present and the IFRS Foundation acknowledge the need for extensions of the IFRS taxonomy. Extensions have also inevitably consequences in the level of comparability that can be achieved across companies even within the same industry.

ESMA should thus consider:

1. Extending the existing IFRS taxonomy that will be used in the EU in order to ensure a consistent and comparable use of the IFRS taxonomy by European companies.

2. Set up a frame with respect to the use of extensions (and possibly limitations to such developments) so that they:

a. Do not duplicate with common practice extensions that need to be managed at the level of IFRS foundation,

b. Are required to meet pan European needs such as company identifier, or other needs to be identified in the implementation phase of the project,

c. Fulfill national specific and unique needs that will be identified at the level of member states (i.e a financial reporting element such as a specific “equity reserve” that local law has defined),

d. Are required by issuers to “tell their own story” however ensuring that they do not compromise the objective of comparability of data.

Consideration should be given to the advantage of using iXBRL that could reduce the need for extensions since a full set of financial statement can be delivered regardless whether all information is being represented by XBRL tags. This could mitigate the need for company specific extensions at least in an initial phase of the implementation project.

<ESMA\_QUESTION\_ESEF\_8>

**Question 9: Do you agree with the proposed approach in relation to the taxonomies of third countries GAAPs deemed equivalent to IFRS?**

<ESMA\_QUESTION\_ESEF\_9>

Yes, we agree with the proposed approach in relation to the taxonomies of third countries GAAPs deemed equivalent to IFRS.

<ESMA\_QUESTION\_ESEF\_9>

**Question 10: Do you believe that taxonomy shall be developed for other parts of the AFR (outside financial statements)? If yes, please indicate which ones and explain why.**

<ESMA\_QUESTION\_ESEF\_10>

Yes we believe that taxonomy shall be developed for other parts of the AFR, progressively and in a proportionate manner.

We think that a taxonomy for the audit report and the management report could be developed with an appropriate level of granularity. The objective is to capture some important information in the single electronic format and not to go into too detailed information.

For example:

* Taxonomy for the management report could encompass main headings or chapters of the report, or the minimum requirements of the Accounting Directive (articles 19, 20 and 29: for example, information relating to environmental and employee matters, undertaking's likely future development, activities in the field of research and development, etc…) or the national legislation.
* Taxonomy for the audit report could encompass some key data of the audit report required by the Audit Regulation and Directive.

If it is decided to develop a taxonomy for narrative parts of the AFR, it will be necessary to develop extensions harmonized at an EU level (for instance by ESMA), as we propose in our response to question 8.

If the EU goes into that direction in the future, we recommend the creation of a link between the information in the financial statements and the key data or information of the audit report (for example, create a link (“pop-up”) between the note on provisions and a qualified opinion related to the provisions in the audit opinion).

We understand that using iXBRL would facilitate the presentation of all financial statements with limited tagging and provide human-readable format (refer to our answer to question 14).

<ESMA\_QUESTION\_ESEF\_10>

**Question 11: Do you agree that non-structured electronic reporting should be required for the entire Annual Financial Report? Do you agree that the format used shall be PDF? If you disagree, please explain your opinion by providing arguments on the policy objectives and impact on the CBA.**

<ESMA\_QUESTION\_ESEF\_11>

* 1rst question: Do you agree that non-structured electronic reporting should be required for the entire Annual Financial Report?

Yes, we agree that the use of PDF can be seen as a first step.

We think, like ESMA, that some end-users, in particular retail investors, might continue to rely on documents in non-structured format still for some time, such as PDF format, as they might not have the means to consult information in a structured format in case its rendering is not provided for free.

However, we believe that the sole use of non-structured format does not fulfill all the requirements and policy objectives of the Transparency Directive (For example: Policy objective 3: *The electronic reporting should improve analysis for investors and competent authorities* and Policy objective 4: *The electronic reporting should facilitate comparability of AFRs*). The capacity to analyze data and to make the process of comparison of AFRs more efficient are not increased because non-structured format, even with dynamic links, does not allow direct manipulation or extraction of data, if the documents are only scanned financial statements. It only allows the display of human-readable AFRs.

If we acknowledge that there is a need for a human-readable reporting, we believe that the sole use of non-structured format is not sufficient and that “dual filing” (a structured reporting combined with a non-structured human-readable filing arrangement) may raise questions of which data is the legal basis, and could create confusion for auditors and users (refer to our answer to question 12).

* 2nd question: Do you agree that the format used shall be PDF?

We can understand the merits of using PDF but we have some concerns if PDF is the only electronic reporting for the entire AFR.

We think that, if non-structured electronic reporting is required, the requirement should be on the availability of the AFR to the financial markets. In that case we have to question what technology is the most appropriate to render human-readable and understandable format: PDF, PDF A, HTML. As outlined in our response to question 5 we recommend that ESMA involve experts in a working group to perform this technical analysis and provide its recommendations to ESMA.

In addition for regulatory purposes, it should be noted that PDF is de facto a proprietary format owned by a single software company (that is not even based in Europe). If PDF format should be selected, we prefer the standardized version of PDF A which is publicly available.

<ESMA\_QUESTION\_ESEF\_11>

**Question 12: Do you agree with the solution of a single electronic format composed of structured and non-structured data (option B)? If not, please explain your opinion as well as the impact on the CBA.**

<ESMA\_QUESTION\_ESEF\_12>

We believe that it is acceptable in a first stage (although this would not be our preferred option) to have a single electronic format composed of structured and non-structured data (option B).

Under that option, structured electronic reporting should be initially required only for IFRS consolidated financial statements.

However ideally we believe that the full AFR should be based on structured data format with a proportionate level of granularity for tagging.

Please refer also to our answer to questions 10 and 11.

<ESMA\_QUESTION\_ESEF\_12>

**Question 13: Do you agree that iXBRL and XBRL are the most relevant options available for the ESEF?**

<ESMA\_QUESTION\_ESEF\_13>

As we are not technology experts, we do not express an opinion on the different technologies available presented in the CP. We encourage ESMA to involve experts in a working group to assess these technologies (refer to our response to question 5).

<ESMA\_QUESTION\_ESEF\_13>

**Question 14: Could you please indicate what is your preferred solution between iXBRL and XBRL? Please explain the reasons.**

<ESMA\_QUESTION\_ESEF\_14>

As we are not technology experts, we do not express an opinion on the different technologies available presented in the CP.

However, we understand that using iXBRL could provide the following benefits that we consider important when assessing the technology to be used:

1. iXBRL enables the preparation of a human-readable filing that is the exact reflection of the current “paper” or “electronic paper” (e.g. PDF) that issuers currently prepare and publish.
2. Not all information contained in an iXBRL file is to be represented by XBRL tags. This could facilitate:
	1. Publication of a single filing that includes all of the AFR as we recommend (see Q10) with proportionate tagging at a marginal cost.
	2. Appropriate granularity for tagging note disclosures in support of the IFRS disclosure initiative.
	3. Reduce the needs for company extensions (see Q8).
	4. Facilitate providing auditors’ opinion along with the published financial statements (see Q3).

We encourage ESMA to involve experts in a working group to assess these technologies (see our response to Q5) and validate the assumption as outlined above.

<ESMA\_QUESTION\_ESEF\_14>

**Question 15: Do you agree that structured reporting format should in a first stage be required for consolidated IFRS financial statements and eventually in a second stage for individual financial statements?**

<ESMA\_QUESTION\_ESEF\_15>

Yes, we agree that structured reporting format should in a first stage be required for consolidated IFRS financial statements.

For individual financial statements decision is of the responsibility of Member States.

<ESMA\_QUESTION\_ESEF\_15>

**Question 16a: Do you agree with a different approach for the financial statements under national GAAPs compared to IFRS on the grounds of the existence of a taxonomy?**

<ESMA\_QUESTION\_ESEF\_16a>

Yes, we agree.

<ESMA\_QUESTION\_ESEF\_16a>

**Question 16b: Do you agree with the proposed approach in terms of potential development of a EU core taxonomy to be used for national GAAPs in the future?**

<ESMA\_QUESTION\_ESEF\_16b>

Yes we agree to the extent of what is required by the legislation of Member States.

Although we believe that it is not a priority, we think that national authorities could be given the flexibility to extend the EU core taxonomy to accommodate specific national reporting and disclosure requirements.

<ESMA\_QUESTION\_ESEF\_16b>

**Question 17: Do you agree that a single electronic format should not be required for financial statements under third country GAAP?**

<ESMA\_QUESTION\_ESEF\_17>

Yes, we agree.

Financial statements under third country GAAP should be made available in their locally required format.

<ESMA\_QUESTION\_ESEF\_17>

**Question 18: Would you be in favour for a phased approach for SMEs, if it would be allowed under the legal mandate? Would it be relevant in the context of the development of the Capital Markets Union?**

<ESMA\_QUESTION\_ESEF\_18>

No, we do not agree.

We consider that listed SMEs reporting under IFRS could provide their consolidated financial statements in the first phase of a structured electronic format. It would be beneficial either for SMEs or for investors.

However, if a cost/benefit analysis demonstrates that moving in this direction would not be favourable to such entities, we would not be opposed to a phased approach for listed SMEs.

<ESMA\_QUESTION\_ESEF\_18>

**Question 19: Do you have any other comment to make?**

<ESMA\_QUESTION\_ESEF\_19>

We have noted some other points that should be considered by ESMA in the future:

* Extend structured electronic filing to other reports, including, interim financial statements, Corporate Actions announcements by companies as well as for press releases when they include key financial data. If financial communication communicated via press releases also include structured data, analysts would then obtain “ready to use data”, knowing that such information is time sensitive. We believe that this would further enhance structured electronic reporting adoption by the analysts community.
* The interplay between the taxonomy being used and the languages used by companies to present their AFR, for the ultimate rendering of the information in a human-readable format.

<ESMA\_QUESTION\_ESEF\_19>