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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>

The purpose of this letter is to set out the response of the IFRS Foundation to ESMA’s consultation on the Regulatory Technical Standards on the European Single Electronic Format (‘ESEF’). This response has been considered and reviewed by the International Accounting Standards Board (IASB).

The IFRS Foundation supports ESMA’s consultation and welcomes ESMA’s proposal to use the IFRS Taxonomy™ (‘the IFRS Taxonomy’) as issued by the IFRS Foundation for structured financial reporting under IFRS. The introduction of a single format for structured electronic reporting (which includes the use of the IFRS Taxonomy) is aligned to the IFRS Foundation’s aim to support users and preparers in the varied ways they may want to exchange, access and process the information in IFRS financial statements.

The IFRS Foundation believes it is important to set out its views on a selected number of questions in the consultation paper. These relate to the policy objectives of the ESEF (Questions 1 and 2), the proposed use of the IFRS Taxonomy (Questions 7 and 8) and XBRL (Question 13). You can find our detailed answers to those questions below. However, the IFRS Foundation would like to highlight the following key messages:

* the IFRS Foundation supports the introduction of a single format (which includes the use of the IFRS Taxonomy) for structured electronic reporting in Europe;
* in our view the use of the IFRS Taxonomy as issued by the IFRS Foundation is essential to the successful achievement of the objectives of the ESEF;
* the IFRS Foundation supports ESMA’s proposal to permit the use of IFRS Taxonomy common practice content, but would prefer that ESMA does not prohibit the use of XBRL extensions (or any other mechanism) to structure entity-specific disclosures;
* the IFRS Taxonomy does not impose requirements or guidance which may restrict entities in their application of the Standards; and
* the IFRS Foundation remains committed to supporting regulators in their use of the IFRS Taxonomy. This includes the representation of the IFRS Taxonomy in the XBRL syntax (including iXBRL).

The Trustees of the IFRS Foundation are currently undertaking a review of the structure and effectiveness of the organisation. This review incorporates topics relating to the role of technology for standard-setting and the IFRS Taxonomy strategy. A Request for Views, *IFRS Foundation Trustees’ Review of Structure and Effectiveness: Issues for the Review* (‘Trustees’ Request for Views’), was issued on 7 July 2015 with a comment deadline of 30 November.1  Where relevant, the IFRS Foundation’s response makes reference to the Trustees’ Request for Views.

Next steps

The IFRS Foundation is fully committed to supporting ESMA and to co-operate with other stakeholders (including users and preparers of structured electronic reports) in implementing the IFRS Taxonomy and the ESEF within Europe.

The IFRS Foundation would welcome the opportunity to discuss the issues considered in this letter.

(1) The Trustees’ Request for Views is available at: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Review-of-Structure-and-Effectiveness-Request-for-Views-and-Comment-Letters.aspx>

<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>

The IFRS Foundation believes that the introduction of structured electronic reporting (which includes the use of the IFRS Taxonomy) will play a positive contribution to the healthy functioning of capital markets in Europe. We have concluded already that it complements the aim of supporting users and preparers of IFRS financial statements in the varied ways by which they may want to exchange, access and process IFRS financial statements.

In particular, we refer to paragraphs 29 and 30 of the Trustees’ Request for Views. These paragraphs state that:

‘*Users of general purpose financial reports do not all access or process the information in those reports in the same way. Some investors and analysts focus on how information is presented by management, as reflected by their support for the IFRS Foundation’s projects on Financial Statement Presentation and the Disclosure Initiative. Other investors and analysts are more focused on the data within a general purpose financial report, and either extract data from the reports to use in their models or use data aggregator services to access the data. …*

*The IFRS Foundation’s Standards are developed on the basis that entities are required to prepare a general purpose financial report whether that report is printed or in electronic format, ranging from a PDF version to one that is ‘tagged’ (in a computer-readable code that identifies specific items) using a structured data format. One of the reasons the IFRS Foundation produces the IFRS Taxonomy is to assist with the accurate digital representation of IFRS in a structured format—ie with the information tagged and structured to help with searches and analysis.’*

<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>

The IFRS Foundation agrees with the description of the policy objectives of the ESEF, namely that:

* electronic reporting should be easier for issuers compared to the current practices;
* electronic reporting should facilitate accessibility to investors;
* electronic reporting should facilitate analysis for investors and competent authorities; and
* electronic reporting should facilitate comparability of annual financial reports.

The IFRS Foundation would like to emphasise that the ESEF’s policy objectives are aligned with the strategic aims of the IFRS Taxonomy. The objective of the IFRS Taxonomy is to facilitate effective communication by making IFRS financial statements more accessible (easier to ingest, process and analyse) to users, in particular to those that prefer structured electronic data.

However, the IFRS Foundation would like to comment that in its view the reporting medium of a set of financial statements does not by itself make information more or less comparable. Electronic reporting has the potential to facilitate comparability, because it can make it easier for a user to identify and analyse similarities and differences between entities and between periods over time. However, the extent to how well this is achieved depends on how electronic reporting is implemented. For example, it remains important that a user of IFRS financial statements can easily access the reporting context of a numeric fact (which may include narrative explanations, accounting policies or a disaggregation).

The IFRS Foundation would also like to note that a complete set of IFRS financial statements includes both the primary financial statements and the notes. The information in the notes forms an integral part of an entity’s financial statements and should be considered in that context. The IFRS Foundation therefore holds the view that electronic reporting should facilitate analysis and accessibility of the complete set of financial statements.

The IFRS Foundation stands ready to contribute to the debate on good structured electronic reporting and the role of the IFRS Taxonomy within this.

<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>

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<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>

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<ESMA\_QUESTION\_ESEF\_4>

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

<ESMA\_QUESTION\_ESEF\_5>

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<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>

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<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>

The IFRS Foundation fully agrees with ESMA’s proposal to use the IFRS Taxonomy as issued by the IFRS Foundation for structured financial reporting under IFRS. In particular the IFRS Foundation would like to highlight the following benefits to ESEF of using the IFRS Taxonomy as issued by the IFRS Foundation:

* a high-quality standard for use to mark up IFRS disclosures aligns to, and is important to, the successful achievement of ESEF’s policy objectives;
* the IFRS Taxonomy is developed using a robust due process which involves the IASB and external parties from around the world; and
* the IFRS Taxonomy reflects, to the extent possible, reporting practice.

The IFRS Foundation has divided the remainder of its response to this question into three topics. These are:

* objectives of the ESEF and using the IFRS Taxonomy;
* the IFRS Taxonomy due process; and
* IFRS reporting practice and the IFRS Taxonomy.

*Objectives of the ESEF and using the IFRS Taxonomy*

The IFRS Foundation holds the view that the use of the IFRS Taxonomy as issued by the IFRS Foundation is essential to the successful achievement of the objectives of the ESEF. If multiple codes and systems were to exist across the world to tag the same IFRS disclosure, preparers and users of digital reports would incur additional costs to tag and analyse the data which, in the IFRS Foundation’s view, is likely to significantly weaken the benefits of structured electronic reporting. The importance of a single global taxonomy for IFRS financial reporting was recognised by the IFRS Foundation as early as 2001. This remains the position of the IFRS Foundation today.

The IFRS Foundation would also like to note that it has observed that the use of the IFRS Taxonomy as the single global standard for marking up IFRS financial statements is growing. In July 2015, the IFRS Foundation published the first findings of a research project *IFRS Filing Profiles*, which was undertaken to obtain an accurate and clear picture of the use of the IFRS Taxonomy and the filing requirements for financial reporting under IFRS. This analysis includes information on the extent to which the IFRS Taxonomy is used in each jurisdiction in which structured digital reporting is planned or required. This research was updated in November 2015 with additional profiles.2

*The IFRS Taxonomy due process*

The IFRS Foundation holds the view that the Foundation itself should take responsibility for the development and maintenance of the IFRS Taxonomy in order to protect the integrity of information reported as IFRS in any format. Involvement of the IASB also provides the required assurance that the IFRS Taxonomy does not impose additional requirements and guidance or restrict entities in their application of IFRS presentation and disclosure requirements.

In this regard, the IFRS Foundation has taken a number of steps to ensure that the content of the IFRS Taxonomy is consistent with, and does not interpret, the Standards. Since October 2013, the IASB’s Disclosure Initiative has included IFRS Taxonomy‑related activities. This organisational change solidified and built upon the interaction that takes place between the IFRS Taxonomy team and the project staff during the development of new Standards or amendments to existing Standards. In November 2015, the Due Process Oversight Committee (DPOC) published for public comment an enhanced IFRS Taxonomy due process, which proposes to give members of the IASB more responsibility for the content of the IFRS Taxonomy.3

The IFRS Foundation is committed to the development of an IFRS Taxonomy that serves its stakeholders. IFRS Taxonomy changes are developed using the expert guidance of members of the IFRS Taxonomy Consultative Group and are subject to public consultation. Public consultation is an important means by which the IFRS Foundation receives input from stakeholders on the IFRS Taxonomy and hears of any challenges that may exist. The DPOC, in its review of the proposals for an enhanced IFRS Taxonomy due process, took great care to ensure that the Foundation’s principles of transparency, full and fair consultation and accountability are duly reflected within the proposals.

Lastly, the IFRS Foundation would like to clarify the current status of the IFRS Taxonomy due process trials referred to in paragraph 114 of the consultation paper. As stated, the DPOC published in November 2015 its proposals for an enhanced IFRS Taxonomy due process. The DPOC is now recommending that the IFRS Taxonomy should not be fully integrated into the body of the Standard. Instead, the DPOC is proposing that the *IFRS Taxonomy Update Document* should be given the status of accompanying material to the Standard, even though it may be published at a later time than the final Standard.

*IFRS reporting practice and the IFRS Taxonomy*

The Standards set out the overall principles and the specific requirements for presentation and disclosure. The IFRS Taxonomy content reflects these. In addition, its content includes element tags to capture IFRS disclosures that are commonly reported by entities when applying the Standards (‘common practice content’).

The IFRS Foundation holds the view that IFRS Taxonomy common practice content is important. It reduces the number of entity-specific extensions to the IFRS Taxonomy, which helps users and preparers of structured electronic reports. Consequently, the IFRS Foundation would like to express its support for ESMA’s proposal to permit the use of IFRS Taxonomy common practice content. However, the IFRS Foundation also would like to note that the inclusion of common practice content within the IFRS Taxonomy should not be perceived as additional authoritative guidance on how to apply IFRS Standards and/or what IFRS disclosures an entity should provide in a structured electronic filing. In this respect, the IFRS Foundation would also like to refer to the response it has provided to Question 8 below.

(2) The *IFRS Filing Profiles* are available at: <http://www.ifrs.org/XBRL/Pages/IFRS-filing-profile-project.aspx>

(3) The invitation to comment is available at: <http://www.ifrs.org/DPOC/Pages/Proposed-Amendments-to-the-IFRS-Taxonomy-Due-Process.aspx>

<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>

If financial information is to be useful, it must be relevant to users. The IFRS Foundation holds the view that it is important that IFRS financial statements include relevant information that reflects an entity’s specific facts and circumstances, no matter what format is used to exchange the information.

The IFRS Taxonomy incorporates common practice content, but it cannot incorporate elements for all entity-specific disclosures that entities may provide within their IFRS financial statements. Consequently, entities can extend and customise the IFRS Taxonomy. For example, an entity can add a new element tag for an entity specific fact. Alternatively, in a structured electronic report an entity can use an XBRL linkbase to express the relationships between its IFRS disclosures or to convey a reconciliation of a performance measure.

ESMA notes in the consultation paper that there is not much evidence about the advantages of the use of XBRL extensions for company-specific elements and ESMA is accordingly proposing not to use XBRL extensions. ESMA also explains in paragraph 119 of the consultation paper that this implies that the structured electronic filing will not represent a complete set of IFRS financial statements, because company‑specific elements are not tagged.

Although the IFRS Foundation understands ESMA’s position, it would like to mention that XBRL International is in the process of setting up a taskforce under their Best Practices Board. The IFRS Taxonomy team will be an active participant in this group. The activities of this group will be to investigate the best way to manage entity-specific elements within an XBRL filing. The ultimate aim of this group is to make it easier for preparers and users to communicate and analyse entity-specific elements within a structured electronic report.

The IFRS Foundation therefore would prefer that ESMA does not prohibit the use of XBRL extensions (or any other mechanisms) to structure entity-specific elements. If ESMA does choose to prohibit the use of XBRL extensions, it should include within the ESEF Regulatory Technical Standard the option to re‑evaluate the issue at a later date.

The IFRS Foundation notes that ESMA states in paragraph 118 of the consultation paper that XBRL extensions may be considered as decreasing the level of comparability between financial information reported by issuers. The IFRS Foundation would like to refer here to the comments it provided to Question 2.

The IFRS Foundation does not prescribe or hold a formal view on whether regulators (including ESMA) should use regulatory extensions to the IFRS Taxonomy.

<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>

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<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>

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<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>

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<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>

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<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>

The IFRS Foundation has formal responsibility for the content of the IFRS Taxonomy. Commenting on the most relevant technology options available for the ESEF is outside the area of direct expertise of the IFRS Foundation.

However, the IFRS Foundation would like to note that it remains committed to supporting regulators in their use of the IFRS Taxonomy. This includes the representation of the IFRS Taxonomy content in the XBRL syntax (including iXBRL). The IFRS Foundation has been working with XBRL since 2001, and so far the IFRS Foundation has not received a request to provide the taxonomy in an alternative technology. Additionally the IFRS Foundation has observed that the use of XBRL for structured electronic reporting is widespread.

It is also the case that the IFRS Foundation is mindful of new advances in technology. The IFRS Foundation stands ready to support regulators in the different ways they may choose to implement structured electronic filing systems for IFRS financial reporting.

<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>

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<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>

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<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>

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<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>

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<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>

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<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>

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<ESMA\_QUESTION\_ESEF\_18>

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

<ESMA\_QUESTION\_ESEF\_19>

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<ESMA\_QUESTION\_ESEF\_19>