ESEF Consultation Paper: Initial take
Eurofiling / XBRL Europe, 5 June 2025

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ESEF CP: the journey to date

2022
- **CSRD** requires extending ESEF to sustainability reporting (ESRS + Article 8 Disclosures)

2024
- **DG FISMA's letter** asking for the revised ESEF RTS on sust reporting <u>by end-August 2025</u>

- ESMA launched **public consultation to revise ESEF RTS** to:
1) **integrate sustainability reporting:** extending ESEF framework to sust disclosures, ensuring that sust info is reported in a structured, machine-readable format. To facilitate a smooth transition, ESMA suggested a phased rollout of the new requirements. (3 phases, each lasting 2 years)
2) **revise Financial Statements tagging rules** for the Notes to IFRS consolidated financial statements. To enhance clarity and usability, reducing complexity in the tagging process. ESMA suggested a revision of block tagging requirements and move towards detailed tagging (2 phases, each lasting 2 years)
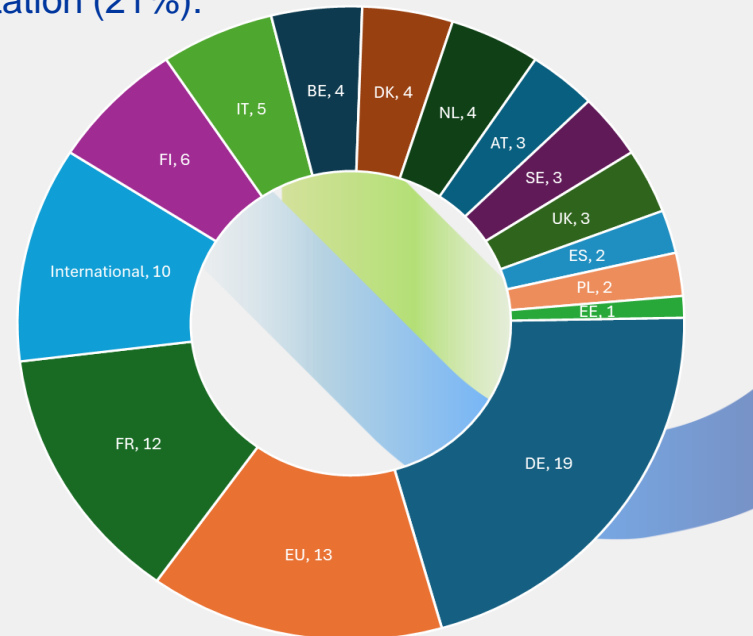
2025
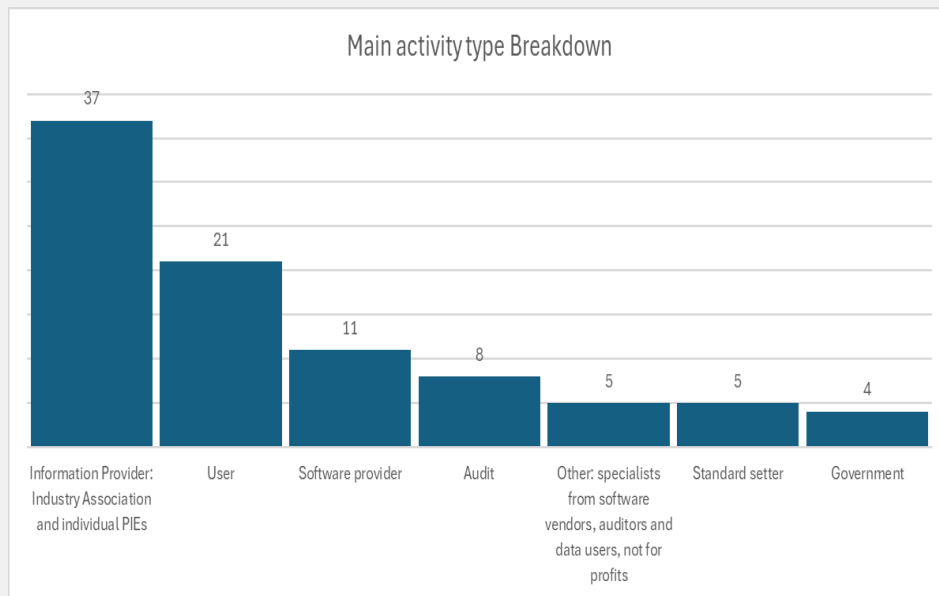- **COM 'Omnibus simplification proposals'** – <u>digital requirements "*stay*"</u> but significant impact on the scope of sustainability reporting

Now
- Considering feedback to the CP, Omnibus & political context – *drafting final proposals*

ESEF CP: Responses overview

- 110 total submissions. Only 91 responses qualify as valid following data quality checks.

- Good representation by activity sector, including 23% data users (individuals, companies and associations).

- Good geographical representation. Germany: higher representation (21%).

Main activity type Breakdown

Category	Value
Information Provider: Industry Association and individual PIEs	37
User	21
Software provider	11
Audit	8
Other: specialists from software vendors, auditors and data users, not for profits	5
Standard setter	5
Government	4

Geographic breakdown: DE, 19; EU, 13; FR, 12; International, 10; FI, 6; IT, 5; BE, 4; DK, 4; NL, 4; AT, 3; SE, 3; UK, 3; ES, 2; PL, 2; EE, 1

Responses review methodology

Following the CP structure & Questions

General responses/ statements / letters

- ESRS Sustainability reporting

- Art 8 TR Sustainability Disclosures

- Common technical aspects

- Notes to IFRS FS

- Targeted Revisions to RTS on ESEF

- Amendments to RTS on EEAP

- Annex II: Draft CBA - RTS on ESEF

- Annex III: Draft CBA – RTS on EEAP

- Annex IV: Legal text RTS on ESEF

Summary by groups

- Information provider

- Data User perspective

- Software/AI provider

- Audit

- Other respondents:
  - ➤ Combined specialists (XBRL associations,…)
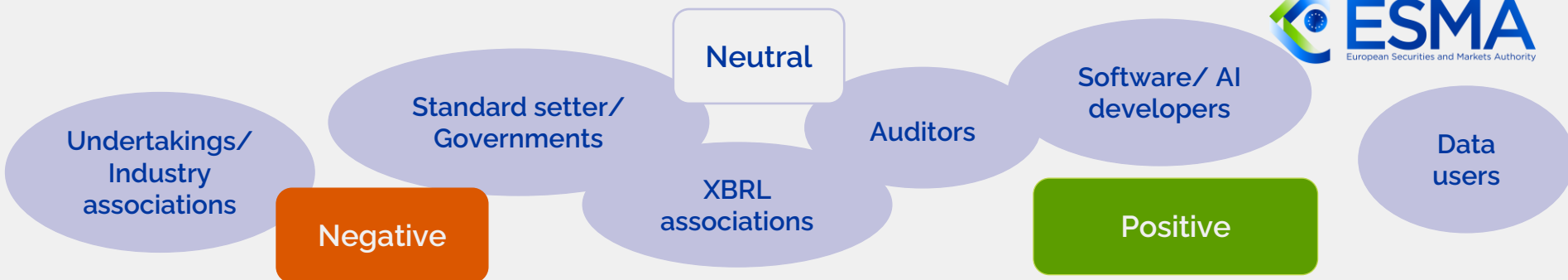 - ➤ Government
  - ➤ Standard setter

Sentiment assessment

Positive

Neutral

Negative

Feedback overview on sustainability: very polarised

ESMA — European Securities and Markets Authority

Undertakings/ Industry associations

Standard setter/ Governments

Neutral

Auditors

Software/ AI developers

Data users
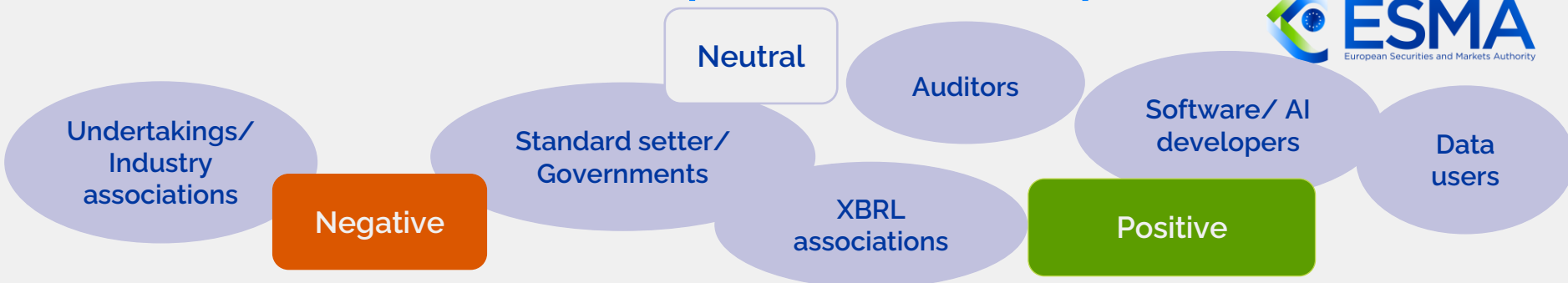
XBRL associations

Negative

Positive

- Complex, costly and resource intensive
- Extend implementation timeframe
- Additional educational support needed
- AI tools are the future for analysing data and comparing to other companies

Some very strong messages from a respondents' group:
- calling for abolition of ESEF
- labelling XBRL as outdated – PDFs enough –
- claiming data not being used by the market
- AI tools is the only viable alternative

- Strong support digitalisation process
- Urgent need for structured data - no phases and simplify tagging rules
- Don't lose momentum - immediate implementation to align with accessibility via ESAP
- Cost of implementing digital requirements marginal compared to general sustainability reporting burden
- Flexibility and tools needed for ESMA to update taxonomy without lengthy approval process
- Support for review clauses and fine-tuning process
- AI tools not ready yet!!

Feedback overview on financials: polarised but more positive

ESMA — European Securities and Markets Authority

Neutral

Auditors

Undertakings/ Industry associations

Standard setter/ Governments

Software/ AI developers

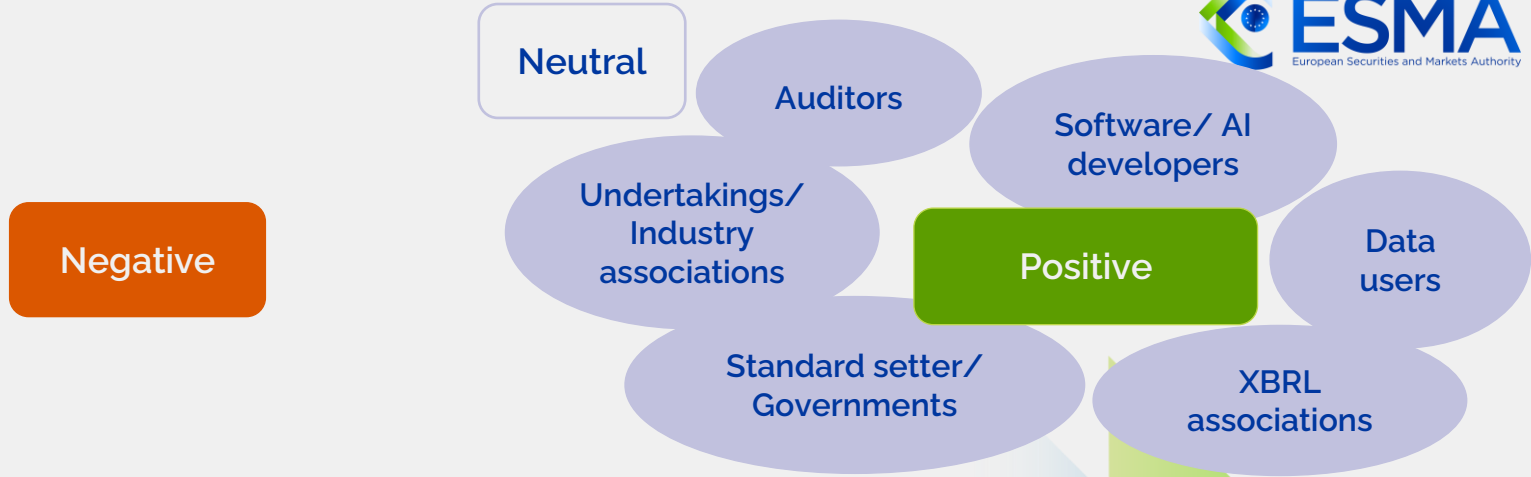Data users

XBRL associations

Negative

Positive

- Some support to avoid multi-tagging but no support for detailed tagging
- Preference to keep status quo or extensively simplify or remove requirements
- Complex proposals, insufficient testing and resource intensive
- AI tools as an alternative for analysing data and comparing to other issuers

- Support revising block tagging to avoid multi-tagging information and improve data quality and usability.
- Support on detailed tagging 'more granular for better analysis' but adjustments needed.
- Be more ambitious and speed up implementation. Merge phases and simplify tagging rules.
- Provide further mandatory guidance to facilitate implementation.
- Support for dynamic review clauses and fine-tuning process
- Flexibility and tools for ESMA to update taxonomy without lengthy approval process
- Recognition upcoming potential increased burden for issuers considering implementation of IFRS 18
- AI tools are not the solution. Extraction and Comparability not possible

Similar strong messages from a respondents' group: abolition of ESEF; PDFs are enough, XBRL is outdated; data is not used by the market; AI tools are enough

Feedback on EEAP: broadly positive

Neutral

Negative

Positive

Auditors

Software/ AI developers

Undertakings/ Industry associations

Data users

Standard setter/ Governments

XBRL associations

ESMA
European Securities and Markets Authority

- Past issues with local bodies (e.g., chambers of commerce) handling ESEF filings suggest a need for better coordination in the broader ecosystem
- Additional costs for OAMs

- General support on revising and aligning EEAP with the JC ITS on tasks to collection bodies and the establishment of ESAP
- Clarifies and streamlines EU legal framework
- Support for using the LEI as the standard identifier for issuers in the ESAP

CP Feedback: common themes across respondents

Omnibus proposals ESRS and Art 8 revisions
- Whether ESEF digital proposals for sustainability information should be put on hold until after Omnibus proposals and ESRS revision final adoption

AI
- Whether AI tools ready to take over structured data
- AI tools as an alternative to extract, analyse and compare data
- AI tools to support tagging reports and reduce burden

Field testing
- Lack of proper field test: necessary to check and fine-tune feasibility of proposals to ensure effectiveness of digital disclosure

CBA
- Need to conduct a thorough cost-benefit analysis to ensure a balanced trade-off between implementation cost and information usability

Omnibus impact on ESEF proposals: preliminary assessment

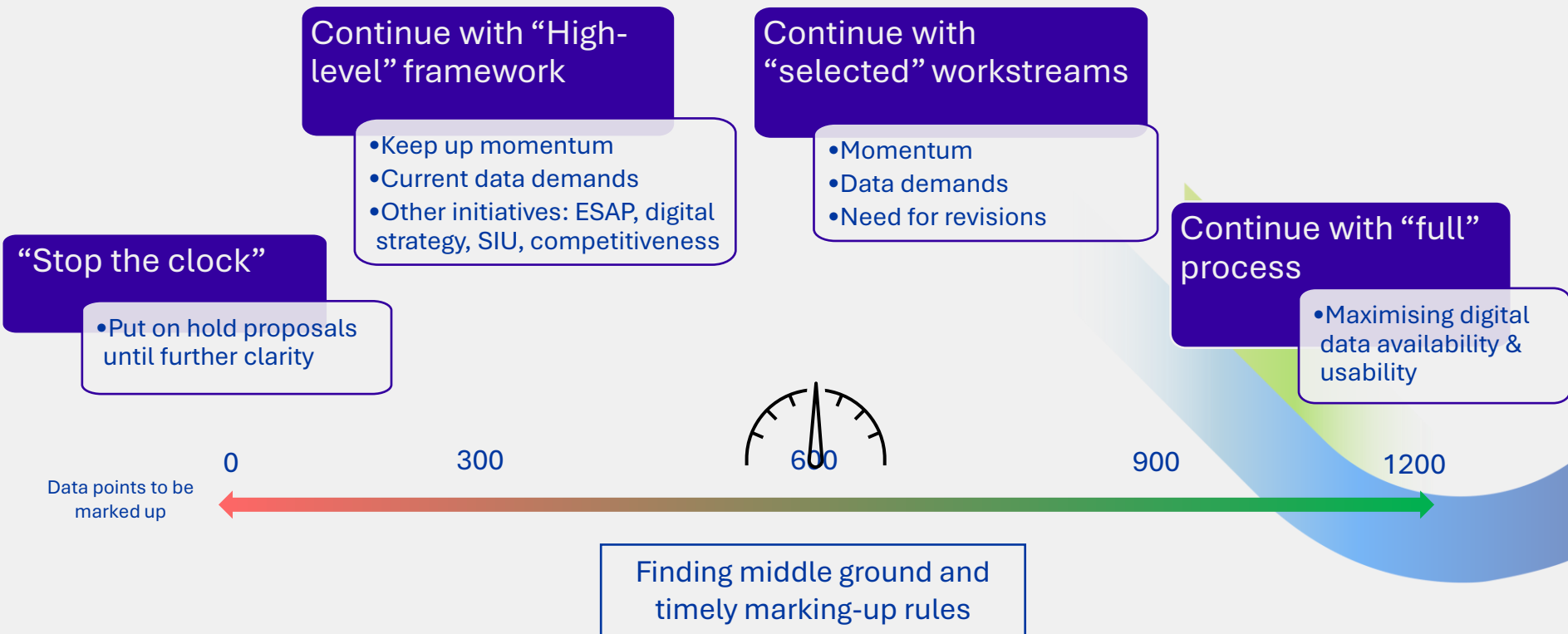|	Omnibus proposals	Impact on ESEF
Entities under scope	Reduction of about 80%. Between 7,000 and 10,000 companies remain in scope – of which, around 1,000 listed companies For Article 8 disclosures, number even more reduced	➢ **Leaves burden to companies with more resources and exposure to XBRL**
Reporting requirements	Mandate to reduce ESRS number of data points (dps). Focus on keeping numerical data & interoperability with international frameworks For Art 8 templates, reduction up to 89% data points for financial entities and 70% for non-financial	➢ **Similar approach than proposed in CP (numerical dps, EU dps and interoperable dps)** ➢ **ESEF based on what and how to tag disclosures**

Implementation timeline	Maintains digital requirements & immediate entering into force:
	• For revised ESRS: expected adoption 2026 and application to FY 2026/2027, _reporting 2028_
	• For revised Article 8 DA: expected adoption 2025 and application FY 2025 (2026), _reporting 2026 (2027)_
	Proposals only clarifies the applicability of digital requirements → when ESEF RTS is available
		➢ **The current expected ESEF RTS adoption timeline (2027-2028) would be:**
		   • **aligned with publication of first sustainably reports issued with revised ESRS**
		   • **delayed by one year with the publication of revised Article 8 templates**

Preliminary result: Digital rules stay, for a reduced number of companies, and should be developed at a moment in time

AI on PDFs Vs XBRL structured data for extracting, analysing and comparing information: preliminary assessment

Use of AI on PDFs	Use of XBRL structured data
Accuracy issues: AI is a predictive model. Prone to errors in reading and extracting information from complex or subjective documents, tables and changing formats	**High accuracy:** data is machine-readable, making extraction reliable and precise
Low comparability: harder to ensure consistency across companies due to variations in language and layout	**Easy comparability:** standardised fields (like ESEF taxonomy) allow direct comparison across companies. Enhance AI analysis.
Limited scalability: AI works on a small sample	**Scalable and automated analysis:** supports faster, scalable analysis (entire populations) and visualisation tools
Limited auditability: Hard to trace or verify how data was extracted — transparency and trust are reduced. Opacity on procedures and governance	**Audit-ready:** Easily traceable and verifiable, more suitable for regulatory or investor use
Structural costs: not everybody has access to the most powerful models	**ESEF – XBRL data is free and accessible** (ESAP) for all types of users
High Maintenance and energy: requires constant model training and tuning to deal with new standards, report formats or languages. Requires significant energy and time when analysis of big volumes	**High setup effort:** requires companies to adopt specific formats and taxonomies (XBRL) and regular updates on technology

Preliminary result: AI is not yet capable of replacing ESEF – XBRL data. It is unclear whether it will ever meet the necessary accuracy and comparability. However, AI could help companies by easing the tagging process and reducing workload.

Navigating between extremes: how to align competing interests?

Continue with "High-level" framework
- Keep up momentum
- Current data demands
- Other initiatives: ESAP, digital strategy, SIU, competitiveness

Continue with "selected" workstreams
- Momentum
- Data demands
- Need for revisions

Continue with "full" process
- Maximising digital data availability & usability

"Stop the clock"
- Put on hold proposals until further clarity

0   300   600   900   1200

Data points to be marked up

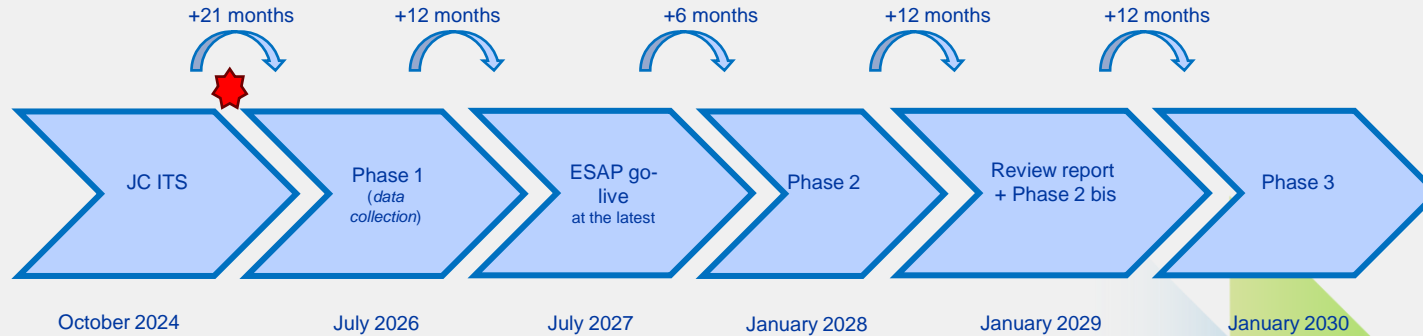Finding middle ground and timely marking-up rules

ESEF CP: next steps

- Analysis all responses - Feedback Statement
- Further assessment of common themes: COM's Omnibus proposals on reducing burden, AI, field testing, CBA.
- Draft Proposals to COM

Final Report

ESAP: status & next steps

Timeline:

- JC ITS — October 2024
- +21 months
- Phase 1 (*data collection*) — July 2026
- +12 months
- ESAP go-live at the latest — July 2027
- +6 months
- Phase 2 — January 2028
- +12 months
- Review report + Phase 2 bis — January 2029
- +12 months
- Phase 3 — January 2030

- Commission adoption of the ITS on ESAP expected by Q2 2025
- Implementation of ESAP initial capabilities for phase 1 ongoing
- Discussion on delegation of certain tasks of collection bodies to ESMA

Questions

CFR - ESEF team

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