



european contact group

Attn Mr Sven Gentner
Head of Unit DG FISMA, Corporate reporting, audit and credit rating agencies
European Commission

and

Attn Ms. Isabelle Grauer-Gaynor
Head of Corporate finance and reporting unit
European Securities and Market Authority (ESMA)

16 December 2022

Subject: The Block Tagging requirement of the European Single Electronic Format Regulatory Technical Standard (ESEF)

Dear Sven, dear Isabelle,

On behalf of the European Contact Group (ECG), which brings together the six largest accounting networks, I am writing to you about the Block Tagging requirement of the European Single Electronic Format Regulatory Technical Standard. The ECG fully supports the overall aim of ESEF, including the phased introduction of the iXBRL tagging of financial information so that issuers and those providing software or services related to ESEF can acclimate to the new requirements in a measured way. Where national law and regulation requires the independent auditor to conclude on compliance with ESEF, the ECG networks were proud to play a key role in the successful first year of mandatory ESEF reporting and we look forward to continuing to play our role as the scope of digital reporting grows.

This letter outlines an emerging issue that may affect the progress of the ESEF initiative. While this is an issue in the first place for issuers, we thought that as auditors, it would be helpful to bring to your attention.

For 2022 annual reports, the issuers that are required to tag their consolidated financial statements must, for the first time, mark-up the notes to the financial statements in a way that is generally referred to as "Block Tagging", where written text and tables are treated as large blocks of information to be matched to pre-defined digital tags. The additional data this generates will supplement data arising from the pre-existing ESEF requirement to mark-up the primary consolidated financial statements in detail.

We are not anticipating widespread issues relating to the ESEF requirement to mark up the primary consolidated financial statements that was required for 2021 annual reporting. However, based on the interactions between auditors and issuers relating to the



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implementation of the Block Tagging requirement, we expect that some, perhaps many, issuers will not be able to fully comply with the requirement and that the non-compliance may be material to a user of the information, resulting in modified auditor opinions relating to compliance with ESEF. In summary, the difficulties appear more acute than any experienced in connection with the initial implementation of ESEF.

Issuer reporting processes and the related audits for the 2022 reporting season will now run their course. We suggest that ESMA and DG-FISMA review the Block Tagging requirement in time to affect 2023 annual reporting, in which case, the ECG networks would be pleased to share observations and offer practical support as appropriate to act in the public interest.

Sincerely

Maurizio Donvito
ECG Chairman

The ECG is registered in the EU transparency register under number 0633841538-63