

For the attn. of the Chair, Vice-Chairs, Members and Substitutes of the ECON Committee

60 rue Wiertz
B-1047 – Brussels

29 September 2020

Subject: Letter on the postponement of the implementation of ESEF

Dear Chair,
Dear Vice-Chairs,
Dear Members,
Dear Substitutes,

I am writing on behalf of EuropeanIssuers, the only pan-European organisation representing the interests of publicly quoted companies from all economic sectors to the EU institutions, to express our comments regarding the Capital Markets Recovery Package released in July 2020 by the European Commission.

We welcome some of the proposed measures as they align with our earlier proposals and, namely, the exemption of product governance for simple products as well as the promotion of a simplified prospectus, which we are confident will be of great help to companies. Nevertheless, against the background of our proposals, we believe that the way to help issuers recapitalise and survive this crisis is still very much to be paved, and that additional measures could be adopted. In this regard, we would like to draw your attention on the forthcoming implementation of the European Single Electronic Format (ESEF) which could constitute an impediment to a swift recovery of European businesses.

The ESEF will apply to annual financial reports published in 2021 by listed companies pursuant to Directive 2004/109/EC (the Transparency Directive). The closing of the 2020 financial reporting year will certainly be challenging for many companies. At the same time the 2020 financial statements will be critically important as investors and banks will base their decision to invest or extend new loans on a thorough examination of the impacts of the pandemic on the financial situation of companies. In this context, we believe that flexibility should be granted to companies regarding the implementation of the ESEF in order to reduce administrative burden: the mandatory implementation of the ESEF should be postponed by one year. The priority should be to ensure that timely, relevant and reliable financial information is delivered to the public to guarantee an efficient functioning of EU financial markets, financial stability and allow issuers to finance their activities and/or recapitalise.

As a matter of fact, the main challenge in 2021 for preparers will be to assess and describe the impacts of the crisis in their financial statements and management report, including the risks they are confronted with and the prospects of the company. Thus, the establishment of the 2020 financial statements will not only require full mobilisation of resources all along the “reporting chain” but also at a higher level within audit committees and boards. Furthermore, preparing for the implementation

of the ESEF is a multi-phase project that can run over several months with potential structuring impacts on financial communication and IT systems. For many companies, preparation is on hold since these companies have been mobilised during the past months on handling the crisis and its impacts on their activities and might not be able to meet the deadline imposed by EU legislation. The operations of SMEs, in particular, are dramatically affected by the COVID-19 crisis. Many of them have ceased the activities of their financial and administrative personnel. Efforts and resources are focused on maintaining the viability of companies. Such shift in operational priorities is deeply impacting SMEs' capacity to comply with the new requirements.

The postponement of the ESEF could be introduced in the Commission's proposal for a regulation amending Regulation (EU) 2017/1129 (the Prospectus Regulation) by deferring by one year the application date laid down in article 4.7 of the Transparency Directive. Such amendment would be consistent with the objectives of the Capital Markets Recovery Package and, in particular, with the proposed amendments to the Prospectus Regulation « *to facilitate investments in the real economy, allow for a rapid recapitalisation of companies in the Union and enable issuers to tap into public markets at an early stage in the recovery process* »¹.

We trust our views are well-received, and we remain at your disposal should you have further queries.

Yours sincerely,



Florence Bindelle

Secretary General

EuropeanIssuers is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. Our members include both national associations and companies from all sectors in 15 European countries, covering markets worth €7.6 trillion market capitalisation with approximately 8,000 companies.

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers. For more information, please visit www.europeanissuers.eu

¹ Recital 4 of the Commission's proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries to help the recovery from the COVID- 19 pandemic.