



European Securities and
Markets Authority

ESMA REGULAR USE

ESMA32-60-303
1 February 2018

Update on the European Single Electronic Format (ESEF)

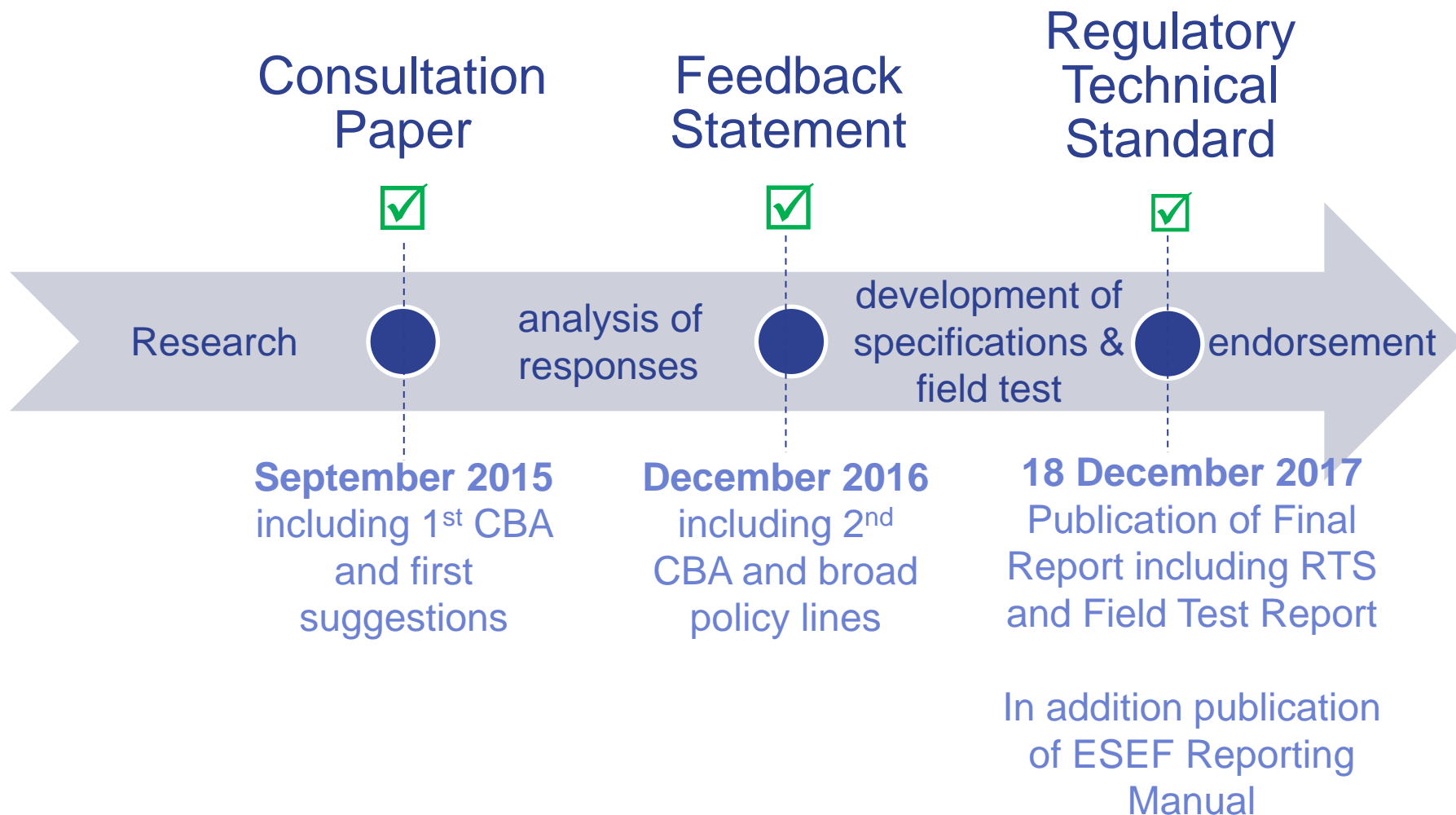
XBRL Europe Day – 1 February 2018

Michael Komarek





Process to develop RTS specifying format of issuers' annual financial report





Regulatory Technical Standard



Final Report

on the RTS on the European Single Electronic Format



18 December 2017 | ESMA32-60-204



Status of RTS

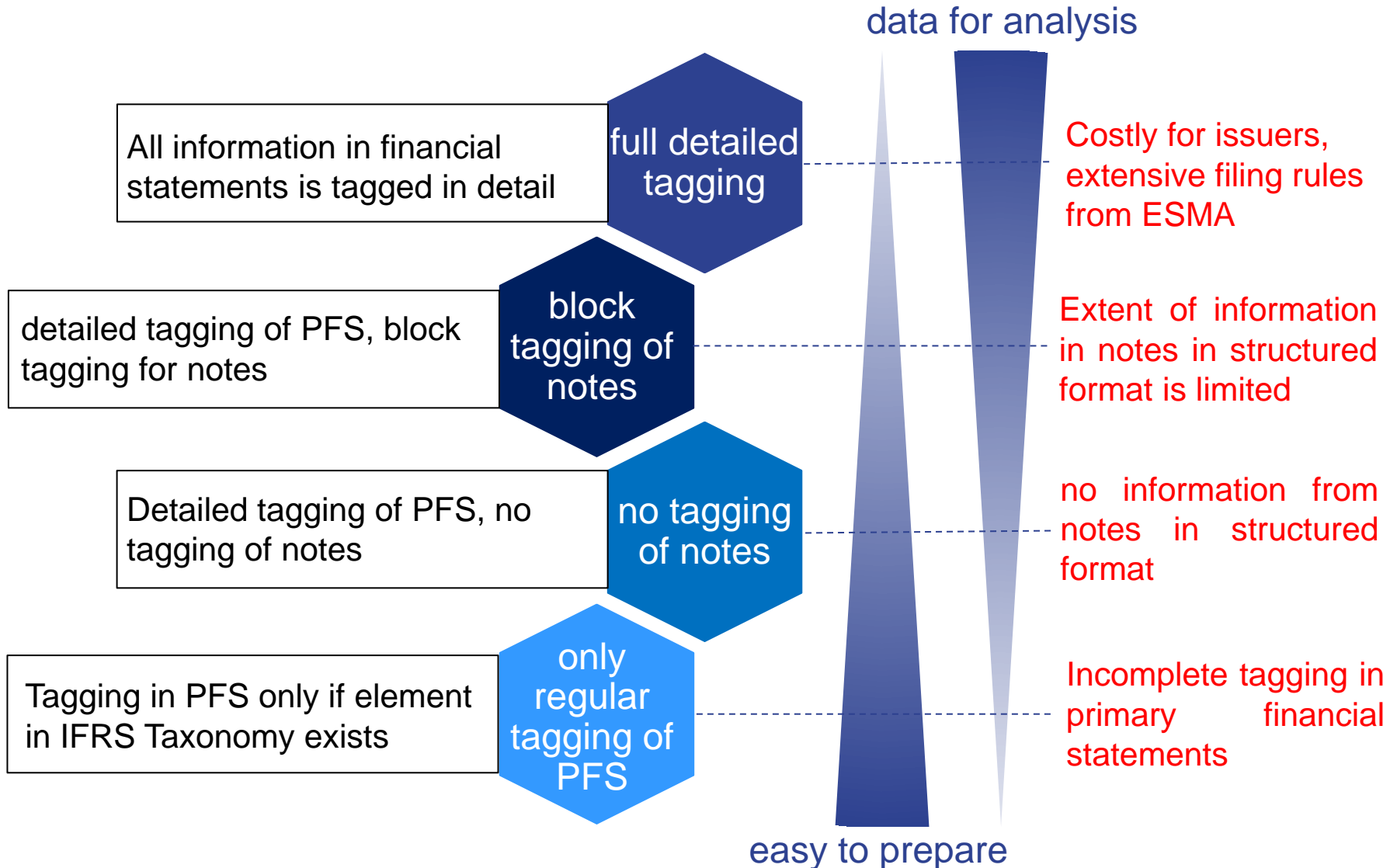
- **RTS requires adoption of EC before becoming European law**
- **It was submitted to EC on 15 December 2017**
 - After submission, the EC has to decide on endorsement within 3 months
 - After adoption of the RTS by the EC, European Council and European Parliament can object to the adoption within a period of 3 months
 - Afterwards publication in the *Official Journal of the European Union* as a Commission Delegated Regulation → directly applicable in Member States without transposition



Summary of broad lines set out in RTS

- All annual financial reports have to be prepared in xHTML
 - xHTML is human readable and no rendering mechanism is necessary
- Where the annual financial report contains consolidated IFRS financial statements, they have to be labelled with XBRL tags
 - XBRL allows software supported analysis
- The XBRL tags have to be embedded in the xHTML document using Inline XBRL
- The taxonomy to be used is the IFRS Taxonomy with a limited ESMA extension

Necessary compromises: level of tagging



Level of tagging required in RTS

	IFRS consolidated FS	individual financial statements	3rd country GAAP FS
primary financial statements	mandatory from 2020	voluntary (if MS provides taxonomy)	forbidden
block tagging of notes	mandatory from 2022	voluntary (if MS provides taxonomy)	forbidden
detailed tagging of notes	voluntary	voluntary (if MS provides taxonomy)	forbidden



Use of taxonomy in RTS

- RTS includes the labels of all elements of the core taxonomy → will be translated in all EU languages
- This core taxonomy is the IFRS Taxonomy + small ESMA extension
- ESMA will prepare and provide taxonomy files on its website
- Differences compared to IFRS Taxonomy as published by IFRSF
 - arc role 'wider-narrower' used for anchoring of issuers' extensions
 - Inclusion of guidance concepts to help in navigation of taxonomy content and to identify concepts of a specific meaning or use
 - add labels in all official EU languages



Selection of elements and use of extensions

- When marking up disclosures issuers shall use core taxonomy element with the closest accounting meaning to marked up disclosure
- If the closest core taxonomy element would misrepresent the accounting meaning of the marked up disclosure, issuers shall create extension taxonomy element
- The extension elements shall
 - not duplicate the meaning and scope of any core taxonomy element
 - identify the creator of the element
 - be anchored to an element in the core taxonomy



Anchoring rules in RTS

- A ‘wider-narrower’ relationship defined in the ESMA extension taxonomy should be used to define in the definition linkbase the relationship with the core taxonomy element
- Extension elements should be anchored to the element that has the closest wider accounting meaning
- Where the extension taxonomy element combines a number of elements of the base taxonomy, the issuer should additionally anchor that extension taxonomy element to each of those narrower elements

→ HOWEVER issuers need not anchor extension elements that are subtotals of other disclosures of the same primary financial statement

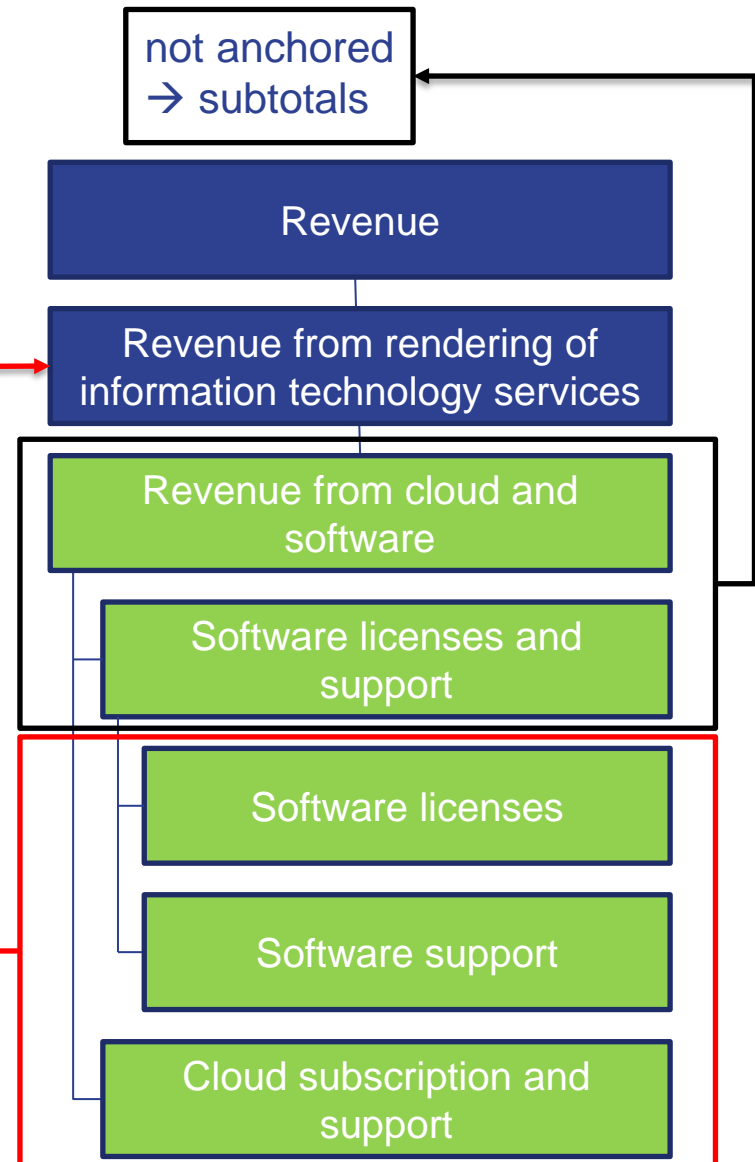
Current considerations: use of extensions

Example: P&L European issuer

millions, unless otherwise stated	2016 €
Cloud subscriptions and support	2,993
Software licenses	4,860
Software support	10,571
Software licenses and support	15,431
Cloud and software	18,424
Services	3,638
Total revenue	22,062

- Elements contained in IFRS Taxonomy
- Extension elements

to be anchored to IFRS Taxonomy



Example for anchoring (2): combinations

Example 2 : balance sheet European issuer

Equity attributable to owners of the company

Share capital and Premium

Cumulative translation differences

Treasury shares

Retained earnings and other reserves



Total equity

to be anchored in IFRS Taxonomy indicating that the extension is wider than the base taxonomy elements

Share capital and Premium

Issued capital

Share premium

-  Elements contained in IFRS Taxonomy
-  Extension element



Other filing rules in the RTS

- Use of LEI as entity identifier
- Use of root elements as starting points to document in the presentation linkbase to which part of the financial statements each tag belongs
- In the primary financial statements: Use of line items (instead of domain members) where possible
- Issuers shall use calculation linkbases to document arithmetical relationships



ESEF Reporting Manual



ESEF Reporting Manual

Preparation of Annual Financial Reports in Inline XBRL



18 December 2017 | ESMA32-60-254



ESEF Reporting Manual

- Reporting Manual provides further guidance, explanations and examples for instance on:
 - Tagging
 - Anchoring
 - Use of language
 - Signage
 - Extension taxonomies
 - Etc.
- Should be a living document which can be amended flexibly to take into account lessons learned

Field tests





Field test

- **Purpose:** to apply the draft rules on real-life examples to determine whether the rules are practicable and determine if and to what extent they have to be improved
- **Design of field test:**
 - ESMA called for volunteer issuers and software companies
 - 25 issuers
 - 5 software vendors
 - the IFRS consolidated financial statements of issuers were transformed to Inline XBRL applying the draft rules
 - Issuers received basic instructions in introductory webinars
 - Issuers mapped their IFRS consolidated financial statements to IFRS Taxonomy
 - Issuers were assisted in 1.5 days on-site workshops in Paris with the tagging
 - Lessons learned from the field test were incorporated in the final rules



ESEF field test - participants

- Reports were published on ESMA's webpage (<https://www.esma.europa.eu/field-test-esef>) – see screenshot below

In addition to the human readable files mentioned above, the packages contain:

- a file with the suffix .xbrl, which can be opened in XBRL software to view the data
- file folders, 'images', 'meta-inf' and 'www.company-name' containing the extension taxonomy, machine-readable technical information regarding the location of the entry points, taxonomy version, etc.

Issuer	Inline XBRL report
Bank Zachodni WBK S.A.	BZWBK2016
Bone Therapeutics	BoneTherapeutics2016
Comarch SA	Comarch2016

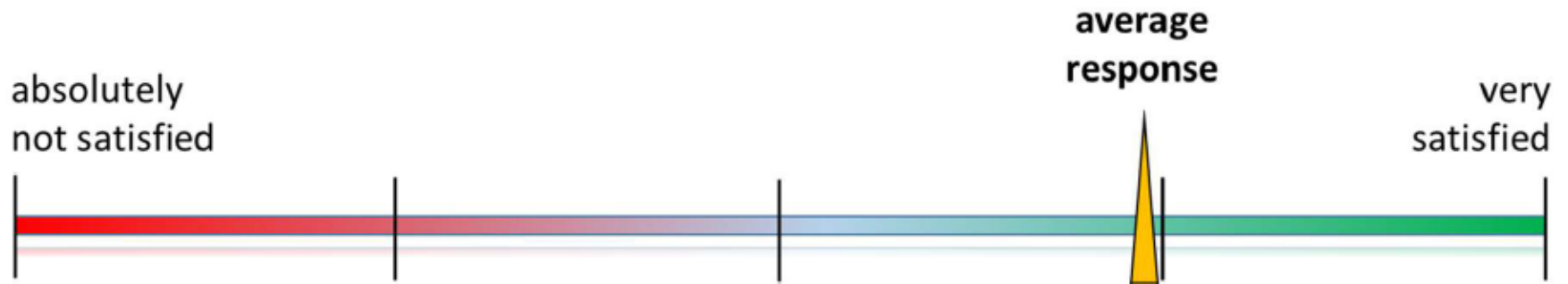
STRUCTURE

XBRL REPORTS

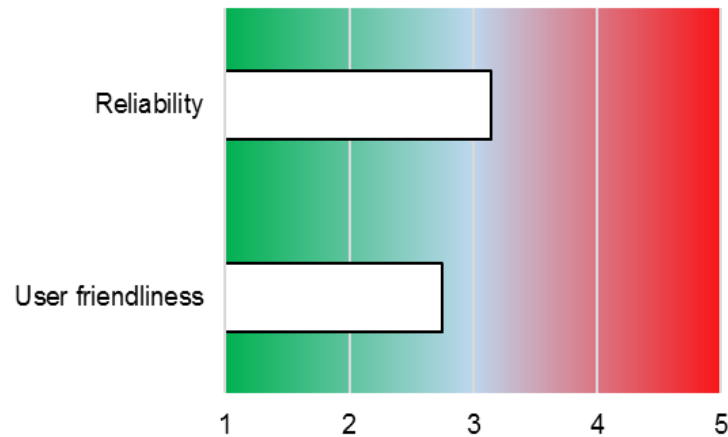
- Simple Inline XBRL viewer was embedded to visualise the tagging

Field test participants' feedback

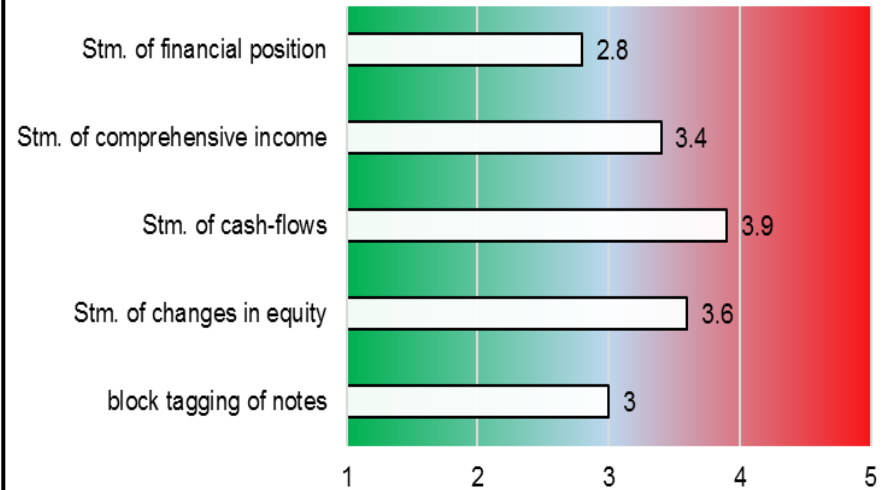
Question: *How satisfied were you with the field tests?*



Assessment of software tools used
(1 being very low and 5 being very high)



Assessment of effort required to map to IFRS Taxonomy





Disclaimer

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