



# **EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)**

Digitalising EU listed companies' financial information

**Factsheet**

**FACTS.**

**REPORTING  
FEBRUARY 2019**

## **HIGHLIGHTS**

From 1 January 2020 on, EU law requires listed companies to report their financial statements in the European Single Electronic Format (ESEF). This harmonised format makes reports machine-readable. With ESEF, the European Commission aims to facilitate access, analysis and comparability of financial statements and make reporting easier. This eventually serves to support investors in their investment decisions.

This factsheet provides an overview of these digital reporting requirements, including practical advice for preparers of financial information and the implications for statutory auditors.

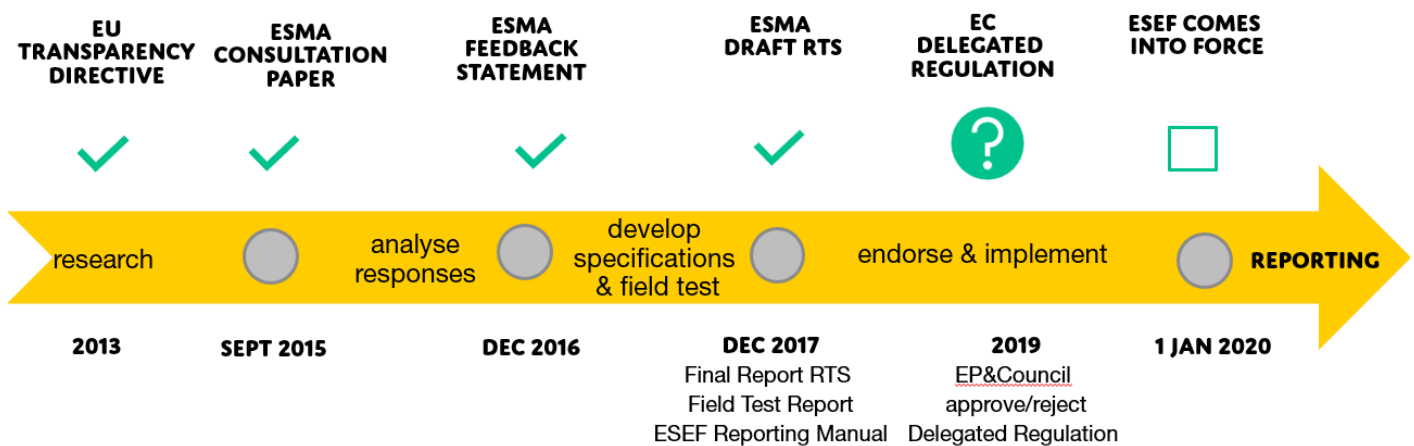
See also our ESEF infographic available [here](#).

## WHAT IS THE EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)?

ESEF is the new format in which issuers listed on European Union (EU) and European Economic Area (EEA) regulated markets must prepare their annual financial reports. This mandate is driven by the 2013 Transparency Directive<sup>1</sup>, which states that “a harmonised electronic format for reporting would be very beneficial for issuers, investors and competent authorities, since it would make reporting easier and facilitate accessibility, analysis and comparability of annual financial reports.”

The Directive assigned the European Securities and Markets Authority (ESMA) the responsibility of developing regulatory technical standards (RTS) for this single digital reporting format. These RTS are being formalised in the European Commission (EC) Delegated Regulation on ESEF<sup>2</sup> (issued in December 2018). Final approval or rejection by the European Parliament and Council is pending and is expected during 2019. See a timeline of how ESEF was developed in visual 1 below.

Visual 1 – ESEF development process



Source: Accountancy Europe elaboration based on [ESMA staff presentation of 10 Oct 2018](#)

In the language of technology, ESEF annual financial reports must be prepared in the eXtensible Hypertext Markup Language (XHTML) and IFRS consolidated financial statements must be marked up in the same file with the eXtensible Business Reporting Language (XBRL).

## WHAT IS XBRL?

XBRL is the open, international standard for digital business reporting. Free of licence fees, the computer-based language enables the electronic communication of structured business data by providing a machine-readable tag. This tag is similar to a bar code so that each individual disclosure is uniquely identifiable and can be manipulated by a computer programme that can recognise the tags.

iXBRL, or Inline XBRL, is a related open standard that enables a single XHTML document to provide both human-readable and structured, machine-readable data. (see visual 2)

Regulators use XBRL to apply automated technical checks to data at the point of attempted submission, rejecting invalid files and avoiding the errors that can be introduced when data is rekeyed into a separate system. The mandating of XBRL by the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA), and of iXBRL by various member state regulators, has paved the way for ESMA to implement ESEF.

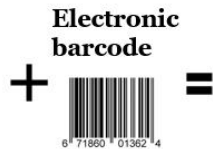
<sup>1</sup> Directive 2013/50/EU on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market

<sup>2</sup> European Commission Delegated Regulation of 17 December with regard to regulatory technical standards on the specification of a single electronic reporting format

## Visual 2 – What do XBRL and iXBRL look like?

### Current financial statements

	Note	Results for the year ended 31 March 20X1 £m	Results for the year ended 31 March 20X0 £m
Revenue	5	300	250
Net operating expenses	6	(100)	(100)
Operating profit	5,7	200	150
Finance income		20	20
Finance costs		(25)	(25)
Net FX revaluation losses			
Net financing costs	8	(5)	(5)
Profit before taxation		195	145
Taxation	10	(95)	(45)
Profit for the year		100	100
Earnings per share			
- basic	12	50.5	50.2
- diluted	12	50.1	50.1



	Note	Results for the year ended 31 March 20X1 £m	Results for the year ended 31 March 20X0 £m
Revenue	5	300	250
Net operating expenses	6	(100)	(100)
Operating profit	5,7	200	150
Finance income		20	20
Finance costs		(25)	(25)
Net FX revaluation losses			
Net financing costs	8	(5)	(5)
Profit before taxation		195	145
Taxation	10	(95)	(45)
Profit for the year		100	100
Earnings per share			
- basic	12	50.5	50.2
- diluted	12	50.1	50.1

Human readable data

```

<table>
<tr>
<th></th>
<th>Note</th>
<th>Results for the year ended 31 March 20X1</th>
<th>Results for the year ended 31 March 20X0</th>
</tr>
<tr>
<td>Revenue</td>
<td>5</td>
<td>300</td>
<td>250</td>
</tr>
<tr>
<td>Net operating expenses</td>
<td>6</td>
<td>(100)</td>
<td>(100)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,7</td>
<td>200</td>
<td>150</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(25)</td>
<td>(25)</td>
</tr>
<tr>
<td>Net FX revaluation losses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net financing costs</td>
<td>8</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>195</td>
<td>145</td>
</tr>
<tr>
<td>Taxation</td>
<td>10</td>
<td>(95)</td>
<td>(45)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- basic</td>
<td>12</td>
<td>50.5</td>
<td>50.2</td>
</tr>
<tr>
<td>- diluted</td>
<td>12</td>
<td>50.1</td>
<td>50.1</td>
</tr>
</table>

```

Machine readable data\*

X  
B  
R  
L

\* bold = text also visible in human readable view  
grey = XBRL code

Source: PwC

## HOW DOES ESEF WORK?

### HUMAN-READABLE

ESEF's use of XHTML allows issuers to control how the content of their annual report is presented in the human-readable layer, so that a person reading the document can feel comfortable that the presentation of the document is familiar.

### MACHINE-READABLE

ESEF's use of iXBRL provides the information and structure a computer needs to understand the human-readable disclosures. As smart as machines can be, a single value in an annual report (e.g. 123) is still meaningless to a computer unless it is tagged with explicit detail that would be obvious to a reader: What is the legal name of the reporting company? Is this value monetary? If so, what's the currency? What are the units? Is the number rounded or absolute? Which reporting framework was used? What is the reporting period?

## Visual 3 – What do embedded XBRL tags look like?

### Financial statements

#### Consolidated Income Statement

Millions of euro

Notes	2016	of which with related parties
Revenue		
Revenue from sales and services	7.a	4,850
Other revenues and income	7.b	20
(Subtotal)		
Costs		
Electricity, gas and fuel purchases	8.a	4,602
Services and other materials	8.b	2,577
Personnel	8.c	
Depreciation, amortization and impairment losses	8.d	
Other operating expenses	8.e	312
Capitalized costs	8.f	
(Subtotal)		
Net (income)/expense from commodity contracts measured at fair value	9	29
Operating income		
Financial income from derivatives	10	
Other financial income	11	21
Financial expense from derivatives	12	
(Subtotal)		

Highlight all tags
Line item
ifrs-full:Revenue
Value
€ 4,870
Period
2016-01-01 to 2016-12-31
Units
iso4217:EUR
Entity
15.7

Source: Accountancy Europe elaboration based on ESMA staff presentation of 10 Oct 2018

## TAGS, ANCHORING AND TAXONOMIES

Preparers choose tags for their financial statements from an approved list called a taxonomy.

The ESEF taxonomy builds on the International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRS) taxonomy, replicating tags for EU-endorsed IFRS standards and adding any supplementary tags required for ESEF filing.

As shown in visual 4 below, detailed tagging of the primary financial statements will be mandatory for consolidated financial statements for reporting periods beginning on or after 1 January 2020, whilst the requirement to block tag the notes comes into force two years later.

**Visual 4 – Level of tagging required by ESEF RTS**

	IFRS consolidated	Individual financial statements	3 <sup>rd</sup> country GAAP Financial Statements
Primary financial statement	<b>MANDATORY FROM 2020</b>	<b>VOLUNTARY</b> (if taxonomy provided by the Member States)	<b>FORBIDDEN</b>
Block tagging of notes	<b>MANDATORY FROM 2022</b>		
Detailed tagging of notes	<b>VOLUNTARY</b>		

Source: Accountancy Europe elaboration based on [ESMA staff presentation of 10 Oct 2018](#)

For unique, entity-specific information that falls within the scope of mandatory tagging, preparers must create their own tags; these are called extension tags and the collection of unique tags created by a filer is called an extension taxonomy.

A common criticism of extension tags is that they can hinder comparability. ESMA addressed this by working with the XBRL community to create a new concept called anchoring. They require preparers to anchor each extension tag they create to the core taxonomy element that has the closest accounting meaning. Each anchor is a 'link', expressing a relationship in XBRL so users of the data can better understand the meaning of extension items. That facilitates the inclusion of extension tags in large-scale data analysis. Preparers must submit their extension taxonomy to their national competent authority (NCA) along with the tagged annual report.

Note that NCAs may choose to require further tagging, so it is important for ESEF filers to review applicable member state requirements carefully. These NCA-specific tagging requirements can be thought of as national extensions; it remains to be seen whether those tags will appear in the ESEF taxonomy or be published separately as national extension taxonomies.

## WHY ESEF?

### MAKES ANNUAL REPORTS EASIER TO ACCESS

Freely available XBRL data has the potential to increase transparency and accessibility, while reducing the cost of accessing and using the data. Human-readable XHTML can be opened with standard web browsers and displayed as intended by the issuer.

## **MAKES DATA EASIER TO ANALYSE AND TRANSFORM**

Large amounts of XBRL information can be easily transformed to other formats such as Structured Query Language (SQL) or Excel and can be easily analysed using software, without extensive and burdensome manual processing.

## **MAKES DATA EASIER TO COMPARE**

As XBRL taxonomies can contain labels in several languages, users can compare numeric information in the financial statements across listed companies very quickly, even if the financial statements were prepared in different languages.

## **SUPPORTS INVESTORS**

Investors will have easier access to the structured consolidated data of all EU listed companies. For example, they will be able to compare and analyse revenues and profits of all EU listed companies easily. ESEF will support investors in their investment decisions.

## **PRACTICAL TIPS**

### **FOR PREPARERS TRANSITIONING TO ESEF REPORTING**

#### **PLAN EDUCATION AND TRAINING**

XBRL is designed for computers rather than humans. However, judgement and technical skills are required to ensure that the XBRL tags applied to the financial information are reasonable and that the extension tags a preparer applies are necessary, built correctly and anchored appropriately. A good understanding of the rules and the technology is key. Plan adequate training. Preparers should start now by learning about the requirements, identifying the implications for their company, creating a project plan and allocating budget.

#### **ENGAGE STAKEHOLDERS**

Successful projects require sponsors and this change in reporting requirements will be of interest to the audit committee. ESEF will change the way financial reporting is delivered to investors. Discussions with the investor relation team should help to bring them into the project as well. Appropriate steps will need to be taken to ensure the providers of IT support are familiar with the technologies required to enable XBRL.

### **IMPLICATIONS FOR STATUTORY AUDITORS**

Auditors generally opine on the truth and fairness of the financial statements of a reporting entity taken as a whole. This is based on a static document, often paper-based, for which there is only one possible format and view. The role of auditors in the ESEF mandate is still under consideration by the EC with input from the Committee of European Auditing Oversight Bodies (CEAOB). Accountancy Europe will also look into the potential practical implications for auditors. We have formed an advisory panel of relevant experts to help us represent the profession on this topic.

## **WHAT IS NEXT?**

As the tagging requirement expands and ESEF becomes business as usual for listed companies, their regulators and their investors, the market may take advantage of this large, accessible data set in ways we have yet to imagine. The Tallinn Declaration on eGovernment, signed by all EU Member States and European Free Trade Association (EFTA) countries in 2017, has already called on the EC to further explore how the implementation of ESEF could serve to make company data more comparable, transparent and digitally accessible. By making public scrutiny easy and affordable, ESEF may increase both transparency and disruption.

## **FURTHER LINKS<sup>3</sup>**

[Transparency Directive](#)

[EC Delegated Regulation on ESEF \(issued 17 December 2018\)](#)

[Tallinn Declaration on eGovernment](#)

[ESMA European Single Electronic Format homepage](#)

[ESMA: Final Report on the RTS on the European Single Electronic Format](#)

[ESMA ESEF Reporting Manual](#)

[ESMA 2019 Supervisory Convergence Work Programme \(SCWP\)](#)

[IFRS Foundation: IFRS Taxonomy](#)

[IFRS Foundation: Using the IFRS Taxonomy – A preparer's guide](#)

[XBRL](#)

[Accountancy Europe's Policy Statement on XBRL](#)

[Inline XBRL](#)

[Using the ESEF rules for anchoring extensions](#)

[XHTML](#)

DISCLAIMER: Accountancy Europe makes every effort to ensure, but cannot guarantee, that the information in this publication is accurate and we cannot accept any liability in relation to this information. We encourage dissemination of this publication, if we are acknowledged as the source of the material and there is a hyperlink that refers to our original content. If you would like to reproduce or translate this publication, please send a request to [info@accountancyeurope.eu](mailto:info@accountancyeurope.eu).

---

<sup>3</sup> Last checked in February 2019, you can access these links in the PDF of this publication on our website.



Avenue d'Auderghem 22-28, 1040 Brussels



+32(0)2 893 33 60



[www.accountancyeurope.eu](http://www.accountancyeurope.eu)



@AccountancyEU



Accountancy Europe

## **ABOUT ACCOUNTANCY EUROPE**

Accountancy Europe unites 51 professional organisations from 36 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).