Matters of attention in the 2023 ESEF REPORTING MANUAL

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This document summarizes the changes introduced in the 2023 ESEF reporting manual. These updates may have an impact on issuers preparing their 2023 annual report in ESEF.

🎯 *fixing identified errors*

Some changes, not listed below are mostly corrections of the previous manual and have no significant impact. The changes in validation rules will be reflected in the conformance suite.

Contents

1. Introduction

A new paragraph has been added:

> *"7. In 2023, ESMA decided to postpone to 2024 the amendment of the ESEF RTS to reflect the limited changes of the 2023 update of the International Financial Reporting Standards (IFRS) taxonomy and focus on monitoring the implementation of the ESEF requirements and how to improve the electronic reporting process. In line with this approach, the 2023 update to the ESEF reporting manual aims at fixing errors and providing some improvements and a few clarifications including how the elements in the 2023 IFRS taxonomy update can still be used on a voluntary basis."*

> No RTS amendment has been published in 2023, therefore, the 2023 IFRS taxonomy has not been endorsed by ESMA. However, 2023 IFRS elements can be used on a voluntary basis. This guidance is included in the guidance 1.2.2

2. Guidance for issuers

> 🎯 **issuers to follow guidance provided in the ESEF Reporting Manual when preparing their 2023 annual financial reports**

Guidance 1.2.2 Use of elements available in the IFRS Taxonomy that were not yet included in the ESEF taxonomy.

> *"If an issuer determines that the IFRS Taxonomy includes an element that corresponds to a disclosure of the issuer in its IFRS financial statements and that this element is not yet included in the ESEF taxonomy, then the issuers should define an extension taxonomy element whose name, label and XBRL characteristics correspond to name, label and XBRL characteristics of the element in the IFRS Taxonomy."*

> An example is given in the manual. This only applies to the very few new elements in the 2023 IFRS taxonomy: "Property, plant and equipment including right-of-use assets".

As this element is positioned a "Non-current assets" in the classified balance sheet and as an "Assets" in the balance sheet in order of liquidity, these elements can be used as wider anchors. The two narrower anchors seem obvious but do not seem to be necessary as the combination is a base taxonomy element.

Guidance 1.4.1 Anchoring of extension elements to elements in the ESEF taxonomy that are wider in scope or meaning.

In this guidance, a new paragraph has been added:

> *"Issuers should not create extension taxonomy elements duplicating the meaning and*

scope of any ESEF core taxonomy element (Annex IV. 4(a) ESEF RTS) because they decrease comparability between companies and over time."

This underlines the fact that an extension should not duplicate an element of the ESEF taxonomy.

Guidance 1.9.1 Marking up notes and accounting policies.

In this guidance the example in figure 2 has been updated:

This reflects the fact that the tag "Disclosure of notes and other mandatory information" is no longer required.

In addition, a footnote has been added:

"[18] Additionally to using the mandatory elements from Annex II of the ESEF RTS tags, issuers could complement the mark up of the notes and accounting policies by using elements contained in Annex VI of the ESEF RTS. Nevertheless, the use of these elements from Annex VI, even if with a closer accounting meaning, does not prevail over the use of the mandatory elements."

This authorizes the use of text blocks present in the taxonomy that are not included in the list of mandatory text blocks, **in addition to the mandatory text blocks**.

Guidance 1.9.2. Granularity of block tagging

The only change in the guidance is a correction of the example in Figure 3 with a footnote:

[19] Examples in the different guidance of Section 1.9 "block tagging" provide an illustration on the specific topic mentioned in the guidance. This does not mean that other guidance should not be followed if applicable or that the applied taxonomy element in the example is the most adequate without having the underlying accounting information. For example, in figure 3, other taxonomy elements could be applicable to the table such as disclosure of interest expense or disclosure of interest income. However, for visualization reasons, these elements have not been applied.

Also, in figure 5, the purpose is to provide an example of concatenation of text without assessing whether accounting policy tags are to be considered narrower in scope than disclosure tags.

No impact in 2023 on mandatory block tagging

Guidance 1.9.3 Other considerations for block tagging of notes and accounting policies

Addition to this guidance

> *As highlighted by recital 10 of the RTS on ESEF, "the requirement for block tagging should not limit the discretion of issuers to mark-up notes to IFRS consolidated financial statements with a higher level of granularity". "Considering this recital, similarly to the primary financial statements, issuers have the option to apply a standard of detailed tagging of the notes to IFRS consolidated financial statements. However, detailed tagging of the notes to the IFRS consolidated financial statements does not prevail over the requirement to block tag the notes to the IFRS consolidated financial statements."*

This shows a move to the detail tagging of the entire financial statements in addition to the mandatory tagging of the primary financial statements and the notes.

There is however no precision on the possible granularity of the detailed tagging and considering the lack of generally accepted best practices, this opens the door to different interpretations which could be confusing for issuers.

3. Guidance for software firms to ensure technical validity

Guidance 2.2.5 Tagging of dashes or empty fields

ESMA recommends that issuers tag empty fields or dash symbols in the primary financial statements

> *"ESMA recommends applying the ixt:fixed-zero (transforming dash to '0') functions.*
>
> *Since the transformation registry does not offer functions transforming an empty field to a nil value, issuers are recommended to explicitly specify such nil values without any transformation, if such tagging scenario is relevant in their reports."*

In this respect, best practices should also be applied to the paper version:
0 should be used when the value has been rounded to a value below the scale of the statement;
0 or dash when there is no comparative value in a period;
n/a or other symbol when the value should be transformed to "0" in XBRL;
empty when no transformation is needed.

Guidance 2.2.6 Readability of the information extracted from a block tag.

ESMA clarifies what was written before in the reporting manual: "some narrative blocks extracted from (XHTML) documents to an XBRL instance may not be formatted in a manner that is exactly the same as the full document when looked at in isolation (such as, but not limited to, lost table structures, applied styles, different line breaks).
Precision has been added: "The result is that the extracted information is not legible and clear".

The extracted information, when displayed outside the context of the original document, resembles the original document in legibility and clarity but not necessarily in-style."

The recommendation reads now:

> In any case, issuers should ensure that the information extracted/rendered in the tag:
> - presents the words and numbers in the same order and is as legible and clear as the human readable report;
> - where there is space between words and numbers in the source text, there is at least some space retained in the text block (i.e., "intangible assets 3m EUR" should not become "intangibleassets3mEUR" after extraction);
> - and information that is contained in tables in the human readable report is meaningfully transcribed in the extracted tagged information.

Note that the words "meaningfully transcribed" still leaves room for interpretations.

🎯 clarifying formats of images embedded in xHTML document

Guidance 2.5.1 Inclusion of content other than XHTML and XBRL in the Inline XBRL document

> To avoid any potential threats that may be brought by specific formats used for saving images included in the XHTML document, issuers shall only use PNG, GIF, SVG (please note that direct embedding of <svg> elements is not allowed and the SVG images shall be included in <img> element) or JPEG graphic files.

This update explicitly excludes the inclusion of <svg> elements, including images.

4. Technical guidance for issuers and software firms on extension taxonomies and other topics

Guidance 3.1.3 Taxonomy packages

> issuers should follow the specification on report packages in the preparation of the taxonomy package for submission.

Issuer should ensure that their ESEF reporting solution has been upgraded as the taxonomy package is no longer a "Working group note" but is now a specification.

🎯 **updating Data Type Registry references**

Guidance 3.2.2 Data types to be used on extension concepts.

> Extension taxonomy MUST NOT define a custom type if a matching type is defined by the XBRL Specifications or in the XBRL data types registry33.

This guidance is a technical feature that impacts ESEF software. Issuers should not use features that are not defined in their preparation software.

Guidance 3.3.1 Relationships to anchor extension taxonomy elements to elements in the ESEF taxonomy

> Abstract concepts are explicitly excluded from the anchoring requirement.

🎯 **clarifying application of Calculations 1.1 specification**

Guidance 3.4.1 Modelling of the issuers' extension taxonomies' linkbases

A paragraph has been added in respect of the Calculation recommendations:

> *"Some of the limitations of the standard calculation linkbase as defined by the XBRL 2.1 specification will be mitigated by new specifications provided by XBRL International.*
>
> *The Calculations 2.0 specification will provide substantial enhancements to XBRL calculation functionalities that seek to provide more complete coverage of the calculations typically found in a financial report. Calculations 2.0 is still not a formal recommendation of XBRL International.*
>
> *As part of the interim measures to improve documenting arithmetical relationships in XBRL, Calculations 1.1 specification37 was provided by XBRL International. It provides minor improvements to the "summation-item" mechanism defined in the XBRL 2.1 specification, as well as improved handling of rounded and duplicate facts, which are particularly relevant to Inline XBRL-based reporting."*
>
> *ESMA is closely monitoring the XBRL community developments around calculations and will consider recommending the use of the Calculations 1.1 in due course, therefore at this stage the specification is discouraged for application in the ESEF report packages."*

> ESMA discourages the application of the calculation 1.1 specification in the ESEF reports.

5. Guidance for preparers of ESEF reports not subject to tagging obligations

Guidance 4.1.1. Reporting of stand-alone XHTML files

An issuer is allowed to submit multiple files (a single XHTML file and any associated referenced images) separately or packaged into zip archive, unless such submission is strictly forbidden at the national level as indicated by the respective Officially Appointed Mechanism and / or National Competent Authority.

🎯 *clarifying formats of images embedded in xHTML document*

Guidance 4.1.3 Inclusion of content other than XHTML in a stand-alone XHTML file

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