SCOPE OF APPLICATION
An overview of the development process

Consultation Paper
- September 2015 including 1st CBA and first suggestions
- Analysis of responses

Feedback Statement
- December 2016 including 2nd CBA and broad policy lines

Regulatory Technical Standard
- Development of specifications
- Endorsement & implementation
- 18 December 2017 Publication of Final Report including RTS incl. Field Test Report, and ESEF Reporting Manual

Endorsement & Implementation

Reporting
- 1 January 2020 ESEF comes into force (for financial years beginning on or after 1st January 2020)

Research
- August 2017 Field tests
Requirements:

From 1 January 2020 issuers will have to prepare their annual financial reports (AFR) in a **single electronic reporting format**. Recital 26 of the Transparency Directive sets out the policy objectives of ESEF:

“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**…

**ESMA should develop draft technical regulatory standards, for adoption by the Commission, to specify the electronic reporting format, with due reference to current and future technological options, such as eXtensible Business Reporting Language (XBRL)”**
Compromises to be made – level of tagging

- All information in financial statements is tagged in detail
  - full detailed tagging
  - Costly for issuers, extensive filing rules from ESMA

- Detailed tagging of PFS, block tagging for notes
  - The solution chosen
  - Extent of information in notes in structured format is limited

- Detailed tagging of PFS, no tagging of notes
  - no tagging of notes
  - No information from notes in structured format

- Tagging in PFS only if element in IFRS Taxonomy exists
  - only regular tagging of PFS
  - Incomplete tagging in primary financial statements

easy to prepare
Compromises to be made - extensions

- No extensions are allowed
- ESMA business extension – no issuer extensions
- Issuers allowed to extend - have to anchor to taxonomy
- All extensions are allowed and prepared by issuers

The solution chosen:

- ESMA business extension
- Anchoring

Compromises:

- Limited number of reportable elements and information loss
- Extensive investment for ESMA
- Checks necessary to assess correct application
- Comparability and consumption of data are impaired

Flexibility for issuers:

- No limitation
Level of tagging required in RTS

- **IFRS consolidated FS**: mandatory from 2020
- **Individual FS**: mandatory from 2022 *
- **Management Report and Half-year FS**: Not required in France

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* : See the list of other mandatory elements of the core taxonomy to be marked-up in annex.
Proposed requirements: level of tagging

- All elements in primary financial statements will be tagged in detail
- For the notes: only block tagging will be required
- The following identification elements will need to be tagged compulsorily:

<table>
<thead>
<tr>
<th>Entitled:</th>
<th>Accounting Standard:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of reporting entity or other means of identification</td>
<td>IAS 1.51a</td>
</tr>
<tr>
<td>Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period</td>
<td>IAS 1.51a</td>
</tr>
<tr>
<td>Domicile of entity</td>
<td>IAS 1.138a</td>
</tr>
<tr>
<td>Legal form of entity</td>
<td>IAS 1.138a</td>
</tr>
<tr>
<td>Country of incorporation</td>
<td>IAS 1.138a</td>
</tr>
<tr>
<td>Address of entity's registered office</td>
<td>IAS 1.138a</td>
</tr>
<tr>
<td>Principal place of business</td>
<td>IAS 1.138a</td>
</tr>
<tr>
<td>Description of nature of entity's operations and principal activities</td>
<td>IAS 1.138b</td>
</tr>
<tr>
<td>Name of parent entity</td>
<td>IAS 1.138c, IAS 24.13</td>
</tr>
<tr>
<td>Name of ultimate parent of group</td>
<td>IAS 24.13, IAS 1.138c</td>
</tr>
</tbody>
</table>

For financial years beginning on or after 1 January 2020
ESEF Taxonomy

IASB standards + Basis for conclusions + Implementation guidance

Core disclosures requirements

Guidance and examples

Common practice

Limited number of additions

Including only standards adopted by EU

Core ESEF Taxonomy Elements

Extensions (Entity-specific disclosures)

Entity

Updated regularly.
=> Taxonomy updates taken onboard by ESMA in ESEF taxonomy on a yearly basis
Taxonomy used

- Based on the IFRS Taxonomy with a limited number of ESMA additions
- **Taxonomy labels** will be translated in all languages of the EU
- **The taxonomy code will be provided on ESMA Web site**
- **No requirement to tag subtotals** but possibility to do so
- The IFRS taxonomy includes common practice elements, i.e. IFRS Disclosures that entities commonly disclose in practice when applying the Standards.
  - **Example**: Property, Plant and Equipment. Common practice added to the IFRS Taxonomy allowing entities to tag the disclosures relating to « buildings » as a separate class of property, plant and equipment. In IAS 16 §37, « buildings » is not mentioned as an separate class of PP&E.
  - **Other examples**: revenue from sale of natural gas, cash and bank balances at central banks, long-term deposits, borrowings, …
ESEF FILING RULES
ESEF Filing rules

- **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 **associated to XBRL tags**
  - XBRL allows software supported analysis

- The XBRL tags have to be **embedded in the XHTML document using Inline XBRL**
ESEF Filing rules

- When marking up disclosures issuers shall use core taxonomy elements with the closest accounting meaning to marked up disclosure.

- Prior to setting up new extensions, issuers shall examine the ESEF Taxonomy. If the closest core taxonomy element misrepresents the accounting meaning of the marked up disclosure, then the issuer shall create an 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
ESEF Filing rules

- Reporting manual provides further **guidance, explanations, examples and technical guidances** on:
  - Tagging
  - Anchoring
  - Use of language
  - Use of positive and negative values (signage)
  - Extension taxonomies
  - Issues encountered when generating Inline XBRL documents

- It is intended as a living document. Also it will be **regularly updated to take into account lessons learned**

- It does not constitute new policy
## Extension Creation

<table>
<thead>
<tr>
<th>Topic</th>
<th>Guidance for issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard label is often longer and more detailed or may be phrased differently to the label in the financial statements</strong></td>
<td>Not a sufficient reason to decide against using a taxonomy element. Example: cash flow statement</td>
</tr>
<tr>
<td></td>
<td><strong>Issuer’s statements</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Taxonomy</strong></td>
</tr>
<tr>
<td></td>
<td>&quot;issue of share capital&quot;</td>
</tr>
<tr>
<td></td>
<td>&quot;proceeds from issuing shares&quot;</td>
</tr>
</tbody>
</table>

| **Disclosures** . ESEF Taxonomy contains an element wider in scope or meaning. | Recommended to use an element in the ESEF Taxonomy wider in scope or meaning. Example: cash flow statement |
| | **Issuer’s statements** |
| | **Taxonomy** |
| | "purchase of property, plant and equipement, intangibles other than goodwill, investment property and other non-current assets" |
## Extension Creation

<table>
<thead>
<tr>
<th>Topic</th>
<th>Guidance for issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchoring of extension elements to elements in the ESEF Taxonomy wider in scope or meaning</td>
<td>Compulsory except for subtotals. Example: Statement of changes of equity</td>
</tr>
</tbody>
</table>

**Issuer’s statements**

- « capital increase in kind » and « capital increase in cash ».

**Taxonomy**

- « issue of capital »

**Anchoring**

- « capital increase in kind »
- « capital increase in cash »

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Elements contained in IFRS Taxonomy

Extension element
## Extension Creation

<table>
<thead>
<tr>
<th>Topic</th>
<th>Guidance for issuers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anchoring of extension elements that are combinations</td>
<td>Compulsory</td>
</tr>
</tbody>
</table>

### Issuer’s statements

- « issued capital and share premium ».

### Taxonomy

- « issue of capital »
- « share premium »

**Anchoring**

- « issue of capital »
- « share premium »

**Elements contained in IFRS Taxonomy**

- Extensions element
Next steps

- RTS (Regulatory Technical Standards) – Process:
  - **Decision on endorsement** of the RTS on ESEF by validation of the EC expected **over the next few months**.
  - After EC approval, the European Parliament and the European Council will have three months to object. If silence, then it is approved.
  - The IFRS **Taxonomy is updated each year by the IASB** (New accounting standards, common practices, …)
  - Each update of RTS will probably require an approval by the European Commission (process to be clarified)
  - ESMA initiative

- **⚠️ The question of a data certification by an auditor is still being analysed** by the European Commission ⚠️

- ESMA / National enforcer:
  - Assist issuers in the implementation and understanding
  - Address fatal flaws if any issue
  - Support of software vendors by ESMA
Proposed requirements: level of tagging

- **Other mandatory elements of the core taxonomy to be marked-up:**

<table>
<thead>
<tr>
<th>Entitled:</th>
<th>Accounting Standard:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of life of limited life entity</td>
<td>IAS 1.138d</td>
</tr>
<tr>
<td>Statement of IFRS compliance</td>
<td>IAS 1.16</td>
</tr>
<tr>
<td>Explanation of departure from IFRS</td>
<td>IAS 1.20b, IAS 1.20c</td>
</tr>
<tr>
<td>Disclosure of uncertainties of entity's ability to continue as going concern</td>
<td>IAS 1.25</td>
</tr>
<tr>
<td>Explanation of fact and basis for preparation of financial statements when not going concern basis</td>
<td>IAS 1.25</td>
</tr>
<tr>
<td>Explanation of why entity not regarded as going concern</td>
<td>IAS 1.25</td>
</tr>
<tr>
<td>Description of reason for using longer or shorter reporting period</td>
<td>IAS 1.36a</td>
</tr>
<tr>
<td>Description of fact that amounts presented in financial statements are not entirely comparable</td>
<td>IAS 1.36b</td>
</tr>
<tr>
<td>Disclosure of reclassifications or changes in presentation</td>
<td>IAS 1.41</td>
</tr>
<tr>
<td>Explanation of sources of estimation uncertainty with significant risk of causing material adjustment</td>
<td>IFRIC 14.10, IAS 1.125</td>
</tr>
<tr>
<td>Disclosure of assets and liabilities with significant risk of causing material adjustment</td>
<td>IAS 1.125</td>
</tr>
<tr>
<td>Dividends recognized as distribution to owners per share</td>
<td>IAS 1.107</td>
</tr>
</tbody>
</table>

For financial years beginning on or after 1 January 2022
Guidance on how to solve common issues encountered when generating Inline XBRL documents. For example:

- Use of positive and negative value. **Most XBRL numeric elements** are designed to contain normally positive values.

- Unit of measure. **Each numeric element must be associated with a unit of measure** (Euro; km; …). Some standard unit measures are defined in the XBRL specifications; other units are registered in the “Unit Registry” maintained by XBRL International.

- **Language of labels. Same as the annual financial report.** ESMA encourages to use a customary business language (English notably)
What does an ESEF filing look like - XHTML

- XHTML is a non-proprietary electronic reporting format, it is **freely usable**, and is **human-readable without specialised software**. It can be displayed in standard web browsers.

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**Financial statements**

**Consolidated Income Statement**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2014</th>
<th>of which with related parties</th>
<th>2015</th>
<th>of which with related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7.a</td>
<td>62,934</td>
<td>4,550</td>
<td>71,076</td>
</tr>
<tr>
<td>Other revenue and income</td>
<td>7.5</td>
<td>1,980</td>
<td>20</td>
<td>2,502</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90,914</strong></td>
<td><strong>4,570</strong></td>
<td><strong>73,578</strong></td>
<td><strong>5,907</strong></td>
</tr>
<tr>
<td>Costs</td>
<td>6.2</td>
<td>32,193</td>
<td>6,663</td>
<td>37,836</td>
</tr>
<tr>
<td>Operating, gas and fire purchases</td>
<td>6.3</td>
<td>17,262</td>
<td>2,077</td>
<td>19,450</td>
</tr>
<tr>
<td>Personnel</td>
<td>6.4</td>
<td>6,057</td>
<td>7,814</td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment losses</td>
<td>6.5</td>
<td>2,762</td>
<td>3,040</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>6.6</td>
<td>195</td>
<td>242</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,451</strong></td>
<td><strong>24,752</strong></td>
<td><strong>56,040</strong></td>
<td><strong>24,431</strong></td>
</tr>
<tr>
<td>Net interest revenue/expense from commodity contracts measured at fair value</td>
<td><strong>65,538</strong></td>
<td><strong>24</strong></td>
<td><strong>105</strong></td>
<td><strong>(24)</strong></td>
</tr>
<tr>
<td>Operating income</td>
<td>10</td>
<td>1,963</td>
<td>7,605</td>
<td></td>
</tr>
<tr>
<td>Financial income from derivatives</td>
<td>11</td>
<td>2,000</td>
<td>2,405</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong></td>
<td><strong>2,963</strong></td>
<td><strong>10,010</strong></td>
<td><strong>10,010</strong></td>
</tr>
</tbody>
</table>

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What does an ESEF filing look like - iXBRL

- iXBRL provides a mechanism for embedding XBRL tags in XHTML documents. This allows the XBRL benefits of tagged data to be combined with a human-readable presentation of a report, which is under the control of the preparer.

\[ \text{Financial statements} \]

\[ \text{Consolidated Income Statement} \]

\[ \begin{array}{l|c|c}
\hline
\text{Note} & \text{2018} \\
\hline
\text{Revenue} & \text{13,000} \\
\text{Less: finance costs and services} & \text{7A} \\
\text{Other revenue and income} & \text{F} \\
\text{Costs} & \text{G} \\
\text{Electricity, gas and heat (incl. VAT)} & \text{8A} \\
\text{Depreciation, amortisation and impairment losses} & \text{9B} \\
\text{Other operating expenses} & \text{9C} \\
\text{Total} & \text{11B} \\
\end{array} \]

\[ \text{NB. IFRS Full indicates that the disclosure is a core IFRS taxonomy element} \]
What does an ESEF filing look like

Financial statements

Consolidated Income Statement

<table>
<thead>
<tr>
<th>Item</th>
<th>Notes</th>
<th>2016</th>
<th>of which with related service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td>779,858</td>
<td>4,880</td>
</tr>
<tr>
<td>Other revenue and incomes</td>
<td></td>
<td>7,6</td>
<td>25</td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries, gas and heat purchases</td>
<td></td>
<td>6,402</td>
<td>2,317</td>
</tr>
<tr>
<td>Raw materials</td>
<td></td>
<td>2,708</td>
<td>52</td>
</tr>
<tr>
<td>Personnel</td>
<td></td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment losses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other extraordinary expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NB. Services and other materials is an entity-specific disclosure → anchored to the closest wider element in the IFRS taxonomy (in this case Total expenses, by nature)