esma ★ European Securities and Markets Authority

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

6 December 2018

The European Single Electronic Format (ESEF)
Getting ready for 2020
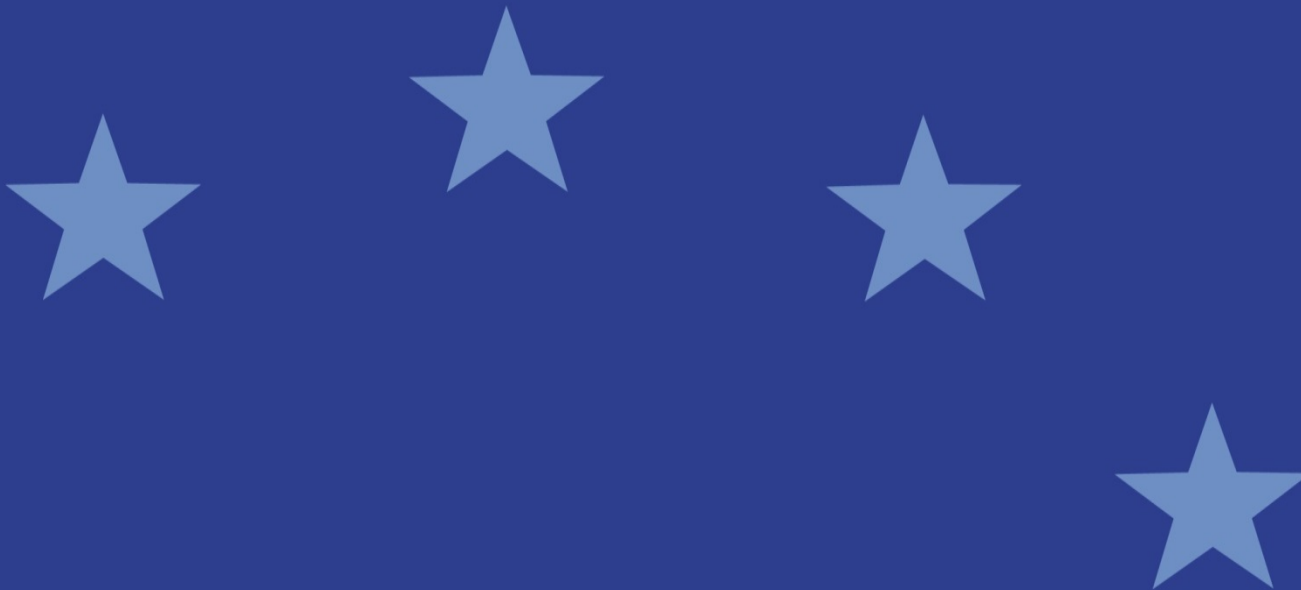
Level of tagging required by the RTS on ESEF

	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**		
detailed tagging of notes	**voluntary**		

Key requirements of the ESEF – a reminder

– All annual financial reports have to be prepared in xHTML

– Annual financial reports containing consolidated IFRS financial statements need to be marked up using XBRL tags

– XBRL tags have to be embedded in the xHTML document using Inline XBRL

– The taxonomy to be used is the ESEF Taxonomy

– Detailed tagging of PFS from 2020; block tagging of the Notes from 2022

Marking-up disclosures

- Preparers shall mark-up their disclosures with XBRL tags

- The extension elements shall not duplicate the meaning and scope of any core taxonomy element

- In most cases, preparers shall use the taxonomy element having the closest wider accounting meaning to the marked up disclosure.

  - In few cases, preparers may or shall use the taxonomy element having the closest narrower accounting meaning (see slide 8)

- If the closest taxonomy element misrepresents the accounting meaning of the disclosure, issuers shall create an *extension* taxonomy element.

Example of extension

Example 1 : Balance Sheet of a European issuer

CONSOLIDATED BALANCE SHEET

Assets *In € millions*	Notes	December 31, 2016
Goodwill	17	218
Intangible assets	18	1.066
Flight equipment	20	9.119
Other property, plant and equipment	20	1,480

Flight equipment

Property, plant and equipment

Extension elements

Elements contained in the IFRS Taxonomy

How to avoid unnecessary extensions

- Before creating an extension ask yourself :

Is there an ESEF Taxonomy element that matches the <u>accounting meaning</u> of the disclosure being marked up?

If yes, you do not need to create an extension.

(Reporting Manual, Guidance 1.3.1)

Is there a wider IFRS Taxonomy element that partially corresponds to the meaning of the disclosure?

If yes, you might not need to create an extension.

(Reporting Manual, Guidance 1.3.2, see next slide)

How to avoid unnecessary extensions

- Reporting Manual, Guidance 1.3.2

Issuer's disclosure relating to cash outflows

Element contained in the
IFRS Taxonomy

Purchase of property, plant and equipment and intangibles other than goodwill

Purchase of property, plant and equipment, intangible assets other than goodwill, *investment property and other non-current assets*

Please note that this is only appropriate if the issuer does not disclose in a separate item in the statement of cash flows <u>cash outflows relating to the purchase of investment property or other non-current assets.</u>

Anchoring disclosures

- Anchoring = "linking" through the "wider-narrower" arcrole

- Extension elements shall be *anchored* to the core taxonomy element that has the closest wider accounting meaning

- Anchoring can:

  - Link one entity specific disclosure to one IFRS core taxonomy element (*one to one)*

  - Link two or more entity specific disclosures to one IFRS core taxonomy element (*n to one*, or combination)

  - Link one entity specific disclosure to two or more IFRS core taxonomy elements (*one to n*, or disaggregation)

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![esma logo]

Example of anchoring

(1) One-to-one anchoring

Balance Sheet of a European issuer

Liabilities relating to assets held for sale
Other provisions
Current portion of long-term debt
Trade payables
Deferred revenue on ticket sales
Frequent flyer programs
Other current liabilities
Bank overdrafts

Deferred revenue on ticket sale

Element to be anchored to one IFRS base taxonomy elements

Differed income classified as current

Extension elements

Elements contained in the IFRS Taxonomy

Example of anchoring

(2) Disaggregation (n to one)

Cash flow of a European issuer

Net cash flow used in investing activities
Perpetual
Sale of minority interest without change in control
Issuance of debt
Repayment on debt
Payment of debt resulting from finance lease liabilities

Elements to be anchored to an element in the IFRS Taxonomy

Repayment On Debt

Repayment On Loan

Repayments Of Borrowings Classified As Financing Activities

Element contained in the IFRS Taxonomy

Extension elements

Example of anchoring

(3) Combination (one to n)

Balance Sheet of a 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

Share capital and Premium

Issued capital

Share premium
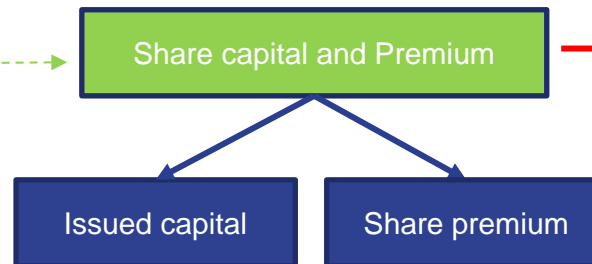
Element to be anchored to two elements in the IFRS Taxonomy: the extension is *wider* than the base taxonomy elements

Core taxonomy elements (contained in the IFRS Taxonomy)
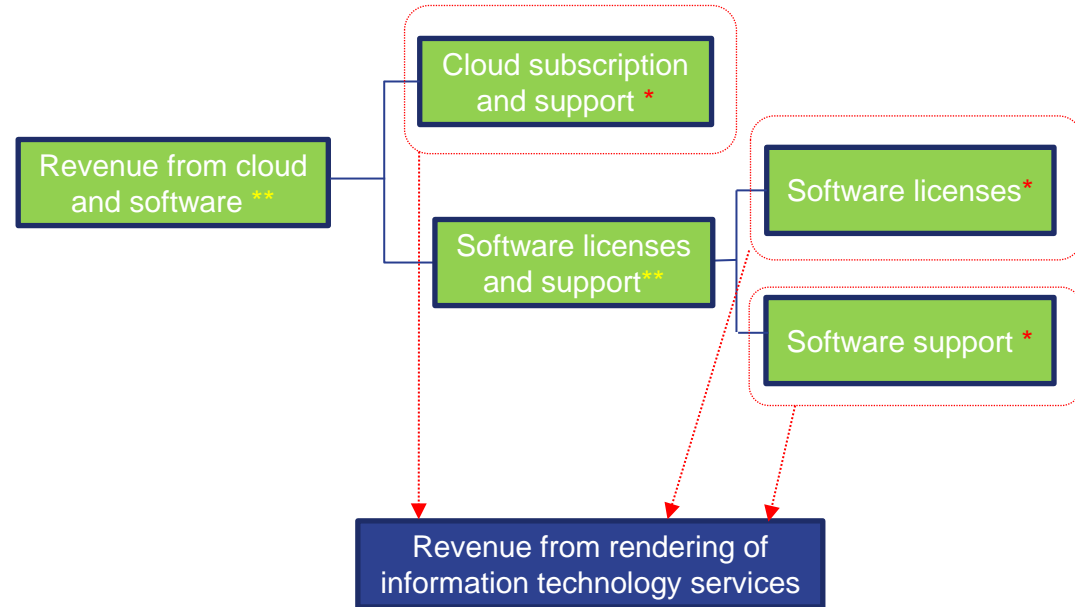
Extension element

- Where the extension taxonomy element combines a number of elements of the base taxonomy, the issuer should anchor that extension taxonomy element to each of those narrower elements, unless one of them is deemed insignificant in value.

Example of subtotals

Example 3: P&L of a European issuer

millions, unless otherwise stated	
Cloud subscriptions and support	
Software licenses	
Software support	
Software licenses and support	
Cloud and software	
Services	
Total revenue	

Cloud subscription and support *

Revenue from cloud and software **

Software licenses and support**

Software licenses*

Software support *

Revenue from rendering of information technology services

*Extension elements that shall be anchored

⬛ Elements contained in the IFRS Taxonomy

🟩 Extension elements

- Extension elements that are *subtotals* of other disclosures do not need to be anchored (**)

When to anchor an extension

General rules

1. Extension elements <u>shall</u> be *anchored* to the core taxonomy element that has the closest wider accounting meaning and/or scope (RTS, Article IV.9 a)

- *Except if the extension element corresponds to a subtotal (RTS, Article IV.10)*

2. Extension elements <u>shall</u> be anchored to the core taxonomy elements that have the closest narrower accounting meaning if the extension taxonomy element combines two or more existing ESEF core taxonomy elements (RTS, Article IV.9 b)
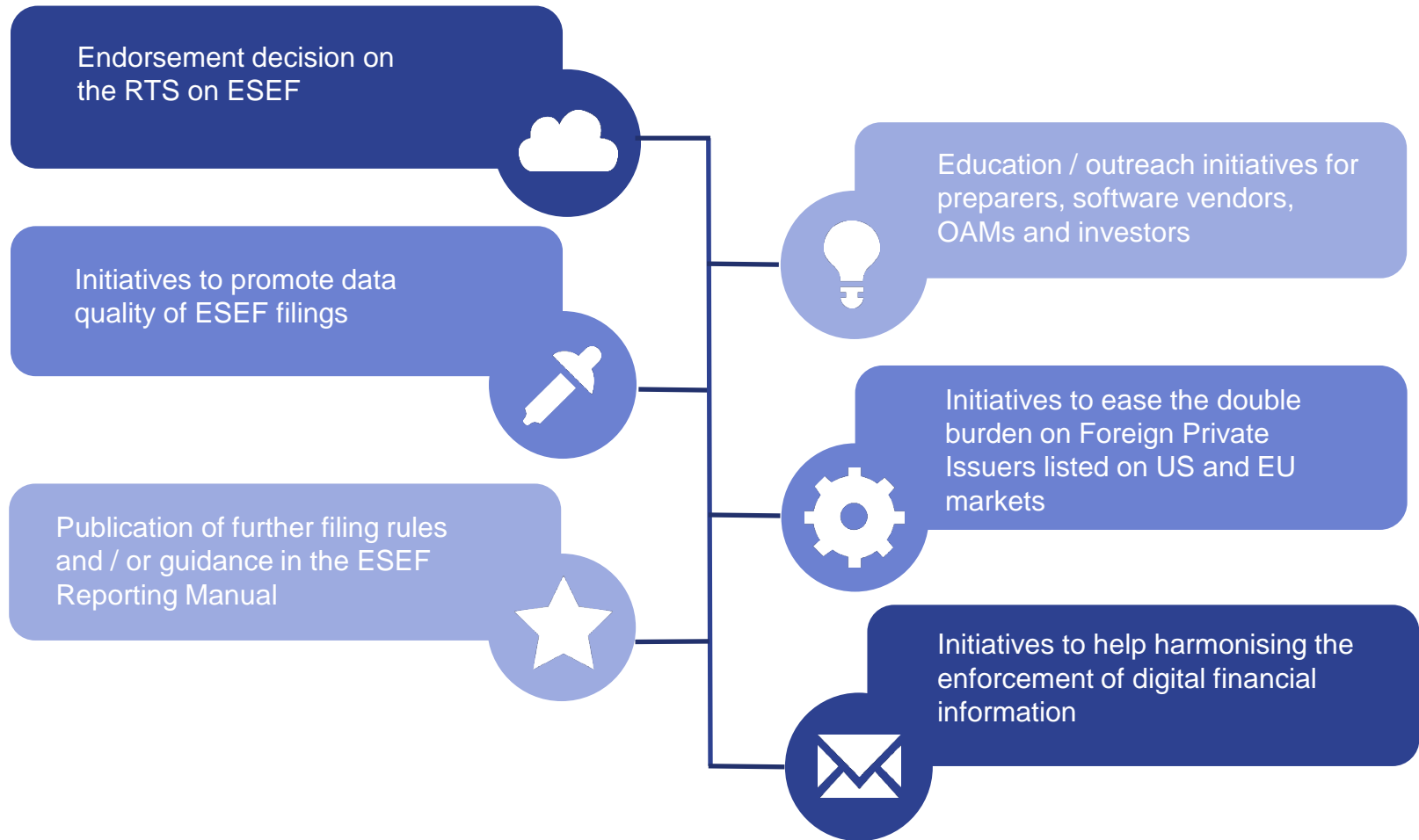
- *Except if any of these existing ESEF core taxonomy elements are reasonably insignificant in value (Guidance 1.4.2)*

…plus, on a voluntary basis

3. If an extension element encompasses any other ESEF taxonomy elements which have a narrower accounting meaning and/or scope, you <u>may</u> anchor the extension taxonomy element to the narrower elements the core taxonomy (RTS, Article IV.9 b)

What to expect next

Endorsement decision on the RTS on ESEF

Initiatives to promote data quality of ESEF filings

Publication of further filing rules and / or guidance in the ESEF Reporting Manual

Education / outreach initiatives for preparers, software vendors, OAMs and investors

Initiatives to ease the double burden on Foreign Private Issuers listed on US and EU markets

Initiatives to help harmonising the enforcement of digital financial information

Where to find out more on the draft RTS on ESEF

On ESMA's website :

- The Final Report on the draft RTS on ESEF (ESMA32-60-204) published on 18 December 2017 (*nb. many useful links on pp. 485 and 486*)

- The ESEF Reporting Manual (ESMA32-60-2540), published on 18 December 2017 | → for both Preparers and Software Vendors

- The ESEF field test webpage https://www.esma.europa.eu/field-test-esef

- video tutorial(s) on the ESEF , the first of which was published on 19 November 2018

On the IFRS Foundation website https://www.ifrs.org/issued-standards/ifrs-taxonomy/

- Using the IFRS Taxonomy : A Preparer's Guide

- IFRS Taxonomy illustrative examples

On Eurofiling website:

- list of existing iXBRL software solutions: http://eurofiling.info/portal/ixbrl-solutions/

- ESEF draft taxonomy http://standards.eurofiling.info/

On XBRL Europe website:

- list of existing iXBRL software solutions http://www.xbrleurope.org/?page_id=1243

Why it is important

❑ XBRL was developed to help overcome the difficulties of exchanging and distributing financial information between different systems

❑ Might increase efficiency in business information reporting

❑ Manual processing (re-keying of information) is prone to errors

❑ Faster distribution of information

- Smaller companies may benefit from this, as they are last on the list of most large data aggregators

- Prior to the introduction of XBRL in the US, only 70% of companies received coverage of major data vendors.

Why it is important

The main goal

❑ Faster analysis of information

  • Analyst will be able to follow more companies

  • Smaller companies may benefit from this evolution

❑ Use of primary sources by analyst instead of secondary sources

❑ Increase comparability

  • Easier comparison of financial statements

❑ Help to increase transparency of capital market

➢ Academic studies concluded that integration of XBRL promotes market efficiency

Why it is important

❑ Allows use of advanced tools and artificial intelligence

- Current model totally based on human consumption of financial information

- In US, 85% of EDGAR downloads is done by robots, not by humans

❑ Adds a data-centric business reporting model to a document-centric reporting model (disclosures are still key for financial analysis)

❑ Not only change for preparers but also important potential change in systems of users

How to get prepared for ESEF

LEARNING
- Familiarise yourself with the ESEF requirements and with the IFRS taxonomy
- Educate your teams and management

STRATEGY
- In-house or externalised production?
- Governance of the ESEF project (validation , key actors etc)

TIMING IS KEY

Start early!

01

02

03

04

05

MAPPING
- Map your financial statements to the IFRS taxonomy
- Analyse the need for extensions and anchors

SOFTWARE TOOL
- Start assessing the right solution
- Built in or bolt on approach?
- Standalone iXBRL or disclosure management solutions?

To conclude

Preparation of financial statements as of today

Mapping: making the bridge with XBRL taxonomy & creation of extension if needed

Transformation of data into IXBRL

Transfer of the package to AMF (AFR in HTML with tagged financial statements + taxonomy used)

To conclude

❑ Annual financial report has to be prepared under xHTML

❑ AFR are still required by the French law to be in French

❑ Management awareness and responsibility are important

We should all work together to make ESEF a success!

❑ AMF organises workshops in cooperation with ESMA and XBRL

Thank you for your attention!