



FAQ | EUROPEAN SINGLE ELECTRONIC FORMAT – ESMA

FAQ: What you need to know about the upcoming ESEF iXBRL mandate

Increasing transparency and transitioning from documents to data are priorities across global markets. ESMA's broader goal for a single digital market strategy aligns with these objectives and will require issuers to prepare their annual financial reports in a single electronic format

GENERAL

Who is ESMA? ESMA, or the European Securities and Markets Authority, is an EU regulatory authority tasked with improving the functioning of financial markets in Europe, strengthening investor protection and encouraging cooperation between national competent authorities.

What is ESEF? The European Single Electronic Format, or ESEF, is a new rule mandating that issuers on EU regulated markets use a single electronic reporting data format in preparing their annual financial reports. With the new rule, EU issuers will be required to produce annual financial reports that are machine-readable and more easily discoverable, bringing EU capital markets into the digital information age – iXBRL will be the required format.

So, what is iXBRL? Inline XBRL, or iXBRL, is an international standard that merges machine-readable business reporting data into a human-readable XHTML page. XBRL data is embedded, so that XBRL tags and content are presented within a single document. The goal of mandating financial statement submissions in iXBRL is to increase data quality in order to encourage use by regulators, investors and analysts.

THE MANDATE

Who is impacted by the mandate? The mandate impacts all issuers with securities listed any regulated market in the European Economic Area (EEA). This includes companies from both inside and outside the EEA provided they are listed on any of these regulated markets.

At this point in time, issuers who do not produce consolidated financial statements in IFRS will be exempt from the iXBRL component of the ESEF mandate; however, this may change in the future.

What is the timing? Issuers listed on EU-regulated markets must prepare their annual financial reports containing consolidated financial statements in iXBRL format for financial years beginning on or after 1 January 2021. For most issuers, the first required document will be the annual report for the year ending 31 December 2021. There will be a phased approach as follows:

- From 2021 – primary financial statements (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity) plus mandatory facts identified by ESMA must be detail tagged in iXBRL
- From 2022 – block tags will be required to be applied to the financial statement footnotes plus additional mandatory facts identified by ESMA
- Detailed tagging of the footnotes will be allowed on a voluntary basis

What taxonomy will be used? The ESEF taxonomy is the IFRS taxonomy + a small set of ESMA additions – mainly for labels in various languages, guidance concepts supporting filing rules, technical constructs etc. ESMA will provide translated versions of all the taxonomy files on its website.

How can companies begin to prepare?

- Conduct an assessment of your internal team's ability to prepare and comply
- Seek out suitable, tried, and tested software and experienced services teams
- Familiarise your team with the internal changes needed to build the reporting infrastructure
- Develop a readiness timeline to ensure compliance for day one of the testing period

Where can I learn more? ESMA's press release is available [here](#). For more information on the ESEF mandate, visit ESMA's library [here](#).

RELY ON DFIN

How can DFIN help? As a global leader in regulatory and compliance solutions, you can rely on DFIN to support your ESEF compliance requirements. Our team has the experience, expertise and technologies to help you navigate the new rules, provide high-quality XBRL and tell an accurate financial story to regulators, as well as investors and other stakeholders.

About Us

Donnelley Financial Solutions (DFIN)

DFIN is a leading global risk and compliance company. We're here to help you make smarter decisions with insightful technology, industry expertise and data insights at every stage of your business and investment lifecycles. As markets fluctuate, regulations evolve and technology advances, we're there. And through it all, we deliver confidence with the right solutions in moments that matter.

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