

## Feedback on ESEF validations and the Reporting Manual

Issued by the Europe Best Practice Task Force (E BPTF)

April 2021

This document is a public draft. Readers are invited to submit comments to the ESEF Best Practice Task Force.

Editors: Pierre Hamon, Janis Steinmann, David Bell

Contributors: Marc Houllier

With the first wave of reports created, audited, and submitted in various countries around Europe the members of the XBRL Europe BPTF could gather plenty of first-hand experience on how preparers, auditors, and authorities work with the current set of validations and recommendations from the Reporting Manual and the Conformance Suite.

In our experience from this reporting period, a lot of users are not familiar with the liberal use of warnings and recommendations common in the XBRL space. A warning is often interpreted in the same way as an error, if any warnings are present the report is not deemed ready. Auditors also tend to take recommendations as requirements. This is further underlined by the fact that Arelle, as the most used free tool for XBRL, does not provide the severity of a failed validation in its output.

It is our recommendation, to minimize and clarify errors, warnings, and recommendations in both the Reporting Manual and the Conformance Suite to allow for a more streamlined reporting process.

In this document, we will outline our recommendation with respect to the items in question and provide a recommendation.

### Guidance 3.4.2 in the reporting manual and the corresponding test case

*Line items that do not require any dimensional information to tag data MUST be linked to the dedicated "Line items not dimensionally qualified" hypercube in [http://www.esma.europa.eu/xbnl/role/cor/eseef\\_role-99999\\_declared\\_in\\_eseef\\_cor.xsd](http://www.esma.europa.eu/xbnl/role/cor/eseef_role-99999_declared_in_eseef_cor.xsd).*

#### Our view:

Preparers do not understand the reason for adding non-dimensional elements to the 99999-role. This role contains a hypercube with the axis "*Consolidated and separate financial statements*" which in turn has the default member "*Consolidated*". This member is applied to all concepts present in this role per default.

The software usually does that, but on some occasions, confusion is introduced by validation tools that apply the conformance suite rules:

- If a non-dimensional concept is missing in that role,
- have a warning when there is no need for the line items to be in that role: for example, the line items of the Statement of changes in equity.

Adding elements regardless does not decrease the quality of the taxonomy, the warning on the other hand creates a lot of uncertainty.

Furthermore, ensuring dimensional validity of items is already part of the XBRL specification and thus validated in any case. Hypercubes are "or" conditions for fact validity, so a line item can be a member of the 999999 hypercube as well as a member of a dimensionally qualified hypercube (allowing a fact to be non-dimensional or dimensionally qualified).

This is also what the reporting manual states:

*Furthermore, each line item used in the report to tag data should be valid according to **at least one hypercube** in the extension taxonomy's definition linkbase.*

But it is not what the conformance suite checks - which is where the problems lie.

#### Our recommendation:

The Guidance itself and the recommendation can be beneficial.

We do recommend removing the test cases from the Conformance suite as well as the recommended rules for software firms from the guidance, as we see no added value for those.

Perhaps renaming of this hypercube and role would be clearer. If this role were "*Reportable Elements*" (or something similar) then it would be obvious that it contains all the concepts that appear in the report and that may, optionally, appear in other dimensional roles.

This would make it clear that every reportable concept – apart from those used in anchoring and not appearing in the report – can and must be found here. Elements such as members, hypercubes, axes, and line items would not be affected as they only appear in dimensional constructs – as we have today.

A subsequent validation rule could verify that all reportable items (non-abstract) in any other dimensional definition role appear in this role.

### Guidance 1.3.3 / RTS Annex II.2: Unreported mandatory mark-ups

*“Annex II, paragraph 3 of the RTS on ESEF sets out the so called “block tagging” requirement, whereby issuers shall mark up all disclosures that correspond to the elements in Table 2 of Annex II if those disclosures are present in the issuer’s financial statement.”*

*“Issuers shall mark up **all disclosures made** in IFRS consolidated financial statements.”*

#### Our view:

There is a disconnect between the wording in the Guidance and the RTS and the recommended technical validation rules.

To our understanding the mark-ups in question only must be tagged if those are present in the report. There is no need to create for example hidden values for those tags or specifically add them to the report just for this purpose of tagging.

The auditor’s recent opinion about this rule is that *“In order to avoid the technical validation error, the best practice is to create the tag in the extension taxonomy and incorporate “Not Applicable” if the information is not applicable.”*

Preparers and auditors do interpret the presence of the validation rule, even when it is only a warning, as a requirement for these tags to be present.

#### Our recommendation:

The Guidance itself and the recommendation can be beneficial.

We do recommend removing the test cases from the Conformance suite as well as the recommended rules for software firms from the guidance.

We further recommend making the wording in the Reporting Manual clearer, especially as there is not distinction between those 10 mandatory mark-ups and the list of accounting policies and disclosures which all are place in the role: “esef\_cor:NotesAccountingPoliciesAndMandatoryTags”

### Guidance 3.2.1: Naming conventions for extension taxonomy elements

*“Extension taxonomy element names should represent the standard label of this element in the Label CamelCase Concatenation [LC3] convention<sup>21</sup> unless it violates XML element naming rules.”*

#### Our view:

The main question is: What purpose does this rule serve? If it is intended as a style guide for creating element names it should be specified as such and not have a validation rule based on this guide.

Furthermore, the LC3-Convention is very underspecified if used on other languages than English, especially with regards to:

- accents and other diacritical marks
- letters that may change form depending upon position or the presence of other letters.
- word separators that are not spaces
- importance of capitalisation

The implementation between software vendors differs so much that it is almost impossible to create a version of a report that does not have this warning in at least one vendor’s software. If this is to be enforced there needs to be a conformance suite alongside it.

There is further confusion amongst preparers and auditors whether names should be created based on English labels or local language labels (the English label being often an approximate translation of the local language line item in the report).

The enforced relation to existing labels is also questionable, for example in a German report a line item is called *“Veränderungen der sonstigen Rückstellen”*, which is modelled as a taxonomy extension with the technical element name *“AdjustmentsForOtherProvisions”*, which is a perfect LC3 name, but in English. Of course, the extension item is also equipped with an appropriate German standard label. According to the rule this is allowed because there is no standard label which resembles the technical name.

#### Our recommendation:

LC3 could be a style guide recommendation.

As there is no ESEF style guide and the ESEF taxonomy in local languages does not follow the IFRS taxonomy style guide, there should not be a validation rule.

A validation rule (even as a warning) should only be based on a detailed style guide: well-defined specification, with all European languages and their particularities in mind.

## Guidance 3.4.6: Extension Taxonomy Labels for existing elements from the ESEF taxonomy

*“The presentation linkbase shall mirror the content and structure of the human-readable layer of the issuer’s report.”*

### Our view:

German and other auditors are of the opinion that the labels defined in the extension taxonomy for existing IFRS-concepts must resemble the line description from the report.

Furthermore, also the order of elements and dimension members in the extension taxonomy should be identical to the order in the report.

To our understanding that is not a requirement of the reporting manual, but above quote can be interpreted as such.

If this is indeed the desired recommendation, further questions arise:

As an example: In the German translations in the taxonomy the “ProfitLoss” concept has the standard label “Gewinn (Verlust)”. In some German reports the line is stated as “Jahresüberschuss”. In this case in addition to the “Gewinn (Verlust)” label from the source taxonomy another label with “Jahresüberschuss” must be added to the extended taxonomy.

There is no guidance on how this is to be handled. There are at least three options:

1. Adding additional new standard labels that have a higher priority.
2. Use a specific label role (e.g., Verbose) for these labels (does not solve the issue for Preferred Label Roles like for example PeriodStart)
3. Do not include the original taxonomy label linkbase

### Our recommendation:

Clarify guidance on the presentation linkbase structure in extension taxonomies. How closely do they have to resemble the structure of the annual report?

Providing clearer guidance would be a benefit to all, as would anything that avoids the SEC situation where the complete set of taxonomy labels is filer specific.

## Guidance 2.4.1: Eligible for transformation

“Moreover, ESMA is of the opinion that for the ESEF reporting scenario the only relevant use case for inclusion of Inline XBRL constructs in the ix:hidden section [...] is for facts that **are not eligible for transformation** [...]”

### Our view:

As you may know, properly layouted iXBRL reports are getting more popular, especially for ESEF. This leads to an issue with the transformation of facts, as you can see in the following code snippet of an XHTML report with a number that has to be tagged with a *nonFraction* numeric tag (in a web browser it would simply be displayed as a table cell with 2,451 €):

```
1 <td>
2     <span class="a">2,</span>
3     <span class="b">451</span>
4     <span class="c"> €</span>
5 </td>
```

The spans are formatting the value with proper spacing, and in some cases are also important for the layout of larger sections of the report. Simply removing the spans would “destroy” the layout. For *nonNumeric* tags, it is quite easy to solve: Connect the first two spans with a *continueAt* as per the spec. However, for *nonFraction* this is currently not allowed.

Since this is not possible without changing the Standard there are two options:

1. These cases could be interpreted as “not eligible for transformation” and follow the recommendation about hidden elements in Guidance 2.4.1. The examples in the guidance (“enumeration (Set)ItemType15 or durationItemType”) do imply that this only refers to different data types, not formatted numbers.
2. Insert an additional element into the HTML with the continuous number and declare it as `display:none` (see example below). This approach is also not clearly discouraged in the reporting manual, but some auditors do have issues with it.

```
▼<span class="ixbrl-cellblock ixbrl-element ixbrl-element-nonfraction ixbrl-hig
  "12."
  <span class="_ _7"></span>
  "404"
▼<span style="display: none;"
  <ix:nonFraction name="ifrs-full:IntangibleAssetsAndGoodwill" id="fact-11"
  </span>
</span>
```

### Our recommendation:

This case needs clear guidance in the reporting manual. The examples for what are “not eligible for transformation” should be expanded.