

ESEF USE CASES

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Where is the future for ESEF and building in flexible compliance

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ESEF: Challenge is a common word

- Adopting any new format always raises issues
- Errors are often part of the adoption process of new tech
 - UBP analysis showed <10% did not have one form of error

“The majority of reports across the sample fell short of the quality that is expected for companies’ official filings. More than 70% of the files contained tagging errors, more than half had issues limiting their usability and more than 25% had design issues”. FRC Labs

- Most of the issues found can be easily resolved
 - Simple misinterpretation of rules, failure to test, some lack of clarity of requirements...

“A focus on quality by companies is crucial for a successful roll-out of structured reporting”.

- But 10 years on, US SEC reporting displays persistent errors ~ 10%
- Low-quality data represents reputational risk for firms
- Poor data for analysts/investors undermines rationale for ESEF initiative



Big Issue: Not fully 'Think Digital'

- Today many firms use current process then bolt on XBRL tagging at the end
 - Most replicate the current PDF generation process
 - Not surprising given process includes multi-parties, approval layers, and time sensitive
 - We found that PDF to iXBRL conversion software is the most common approach
- But this is often the source of the issues in terms of XBRL
 - Leaving the XBRL model to the end... is a process that is prone to error.
- However, significant % has already embraced digital reporting... so it is possible
 - But for many it will take time to adjust their internal perception
 - ...and adopt a digital approach
- But financial reporting for European listed companies has changed forever...

So will it look
different in
10 years? 5 years?

Where is Financial Reporting and ESEF heading

- Recognition that Annual Reports are much more than financial reporting:
 - But also internal and external communication of company status, future and strategy
 - Plus, coming soon ESG reporting, e.g. UKSEF
- ESEF rules and scope will also evolve and change....
 - Next up: block tagging
 - Then: semi-annuals, detailed tagging, etc...?
- What will be the nature of the reports ... single or multiple
 - A “Full design” – complete communications and branding document
 - “Compliance-based” design – basic layout and branding to satisfy ESMA regulation.
- Given the above, the best approach is to **be flexible**
 - Adopt the right process
 - Make use or ‘reusable’ and ‘replaceable’ components



Use Case One: Financial Management Software vendor

- Consolidation system delivered a Word template with financial data pre-loaded
 - User could then edit Word with company brand and company messages
- ESEF requirements:
 - Vendor did not want to make the process more complex or force Users to learn new tools
 - One button (?) approach to ESEF report production
- New ESEF approach:
 - Developed tools to map ESEF concepts in the Financial Management system
 - Output Word template, as before, but with additional “bookmarks” to represent iXBRL
 - User edits Word document as before
 - Upload document to XT ESEF system which converts to xHTML and replaces bookmarks with iXBRL artefacts
 - Validates against the ESEF taxonomy and filing rules with a range of summary and detailed reports to identify any errors prior to submission

Use Case Two: Media Company

- Media company with extensive experience of Annual Report production
 - Using Adobe InDesign
- ESEF Requirements:
 - Wanted to be able to use full design skills (InDesign or HTML publishing)
 - Tried many tools and approaches
 - Realised limitations of PDF conversion
- New ESEF approach:
 - XT ESEF output InDesign template with Financials, as before,
 - but with additional “bookmarks” to represent iXBRL
 - Design and publish annual report in InDesign, as before
 - Upload InDesign document to XT ESEF system which converts to xHTML and replaces bookmarks with iXBRL artefacts
 - Validates against the ESEF taxonomy and filing rules ...etc,

Analysis & Lessons

- The key to both Use Cases is they focus on developing the right process
 - Don't try to stuff something on the end of existing system that does not fit
 - Both adopt a robust process for building the report model and tagging first
 - Understand role of validation, refresh/correct data, and validate again
- Both understand that the requirements and system will need to evolve
 - So using a flexible platform with reusable components
 - Can swap to different newer and better approaches to meet the developing needs
- Result:
 - Simple ESEF reporting
 - More likely to deliver 100% compliance
 - Easier to extend, adopt change and innovation



Questions?



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