Comments and recommendations on ESEF guidance

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Date: January 25, 2022

Call for feedback

This paper has been prepared by members of XBRL Europe's ESEF - Best Practice task Force.

It aims to provide comments and recommendations on ESEF manual guidance that could lead to various individual interpretations.

We would appreciate feedback on this document with additions and comments, which will contribute to making this paper as valuable as possible. We would be grateful to receive your feedback at info@xbrl-eu.org before the 31st of March 2022.

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BALANCE ATTRIBUTE OF EXTENSIONS

The guidance in the ESEF reporting manual explains that there are cases where an empty balance attribute is appropriate.

Guidance 1.6.1: It should be noted that there are some limited scenarios where numeric elements needto be defined without a balance attribute, such as for example the tags for basic or diluted Earnings Per Share[7]. ESMA deems that these should be assessed on a case- by-case basis and, provided that the no balance attribute is appropriate, they should be deemed acceptable

There are also cases in the cash flow statement where extensions must not have a balance as the Total cash inflows (outflows) from operating activities has no balance.

Observation

The conformance suite has a rule about appropriate balance of extensions:

Reference	Description	Automatable	Criticality
RTS Annex IV Par 4	Extension elements must be equipped with an appropriate balance attribute	No	MUST

This rule is a MUST, therefore resulting in an error.

It is indicated that it is not automatable, but most validation tools have interpreted this rule as: an extension must be equipped with a debit or a credit balance.

RTS_Annex_IV_Par_4_2 /TC2_invalid.zip	Invalid	Report package contains issuer extension taxonomy with extensions elements of monetary item type without balance attribute set	monetaryConcept WithoutBalance

For example: AMF validation of a sub-total in the Cash flows from operating activities

Bloc king	RTS.Annex.IV.Par.4.2.monetaryCon ceptWithoutBalance	Monetary extension concepts MUST specify the "balance" attribute. Concepts concerned: prologue:CashFlowsFromUsedInOperationsAfterCostOf NetDebtAndIncomeTaxExpense, prologue:CapacityOfautofinanceBeforeCoutOfLendette NetEtImpot.

This is a wrong interpretation as no balance is also an appropriate balance attribute.

Our recommendation would be:

- To accept debit, credit, and no balance as valid balance attributes,
- Or to remove the rule as no other value of the balance attribute is valid.
- **Or change the severity to warning (preferred as warning is considered globally useful).**

L3C rule

Guidance 3.2.1: Extension taxonomy element names should represent the standard label of this element in the Label CamelCase Concatenation [LC3] convention23 unless it violates XML element naming rules.

Guidance 1.1.1: The labels of the elements used for marking up the annual financial report including the issuers' extension taxonomy elements should be in the same language in which the annual financial report is prepared. Issuers are not required to provide labels in other languages. However, ESMA encourages issuers to provide, for the extension taxonomy elements, labels in a language customary in the sphere of international finance, as it would be highly beneficial for users.

Observation:

This rule creates many warnings in the validation of all extended taxonomies.

The rule used for the test is not defined by any standard setter therefore subject to individual interpretations.

In cases the same report is files in two languages, the extension elements names are in one language, therefore all element extensions in the other language produce warnings!

Our recommendation:

This automated LC3 validation rules should be removed to avoid the unnecessary warnings as they do not have an impact either on the correctness of the report or the audit opinion.

LABELS

There are several guidance relating to labelling of elements in the extension taxonomies:

RTS ANNEX 1 8. In their extension taxonomies, issuers shall not replace the labels or references of core taxonomy elements. Issuer specific labels may be added to the core taxonomy elements.

Guidance 3.4.6: The presentation linkbase shall mirror the structure of the human-readable layer of the issuer's report.

This is explained as follows:

- A line item must only appear in the presentation linkbase if it is associated with a reported value in the year of reference (i.e. it must not appear, for example, if it was used in the past but it is no longer used)
- The order of elements in the extension taxonomy should be identical to the order in the human readable layer of the report.
- To the contrary, the labels defined in the extension taxonomy for existing IFRS concepts need **not be identical to the line item used in the human readable layer of the report**.

Guidance 3.4.4: Extension taxonomies should apply preferred labels on presentation links when applicable. This concerns in particular total and period start and end labels. Labels defined in other

label roles (e.g. terse, net, negated etc.) may be assigned to preferred labels. Extension concepts may be defined with and assigned to preferred labels.

Guidance 3.4.5: It is possible for an element in the extension taxonomy of an issuer to be assigned with multiple label resources defined with different 'xlink:role' attributes, as listed by the XBRL 2.1 specification29 or Link Role Registry30.

- Each element in an issuer's extension taxonomy shall be defined with at most one label for any combination of 'xlink:role' and 'xml:lang' attribute.
- ESMA recommends applying at least one label defined in the standard label role, i.e. http://www.xbrl.org/2003/role/label, for each taxonomy extension element.

Guidance 3.2.1: Extension taxonomy element names should represent the standard label of this element in the Label CamelCase Concatenation [LC3] convention23 unless it violates XML element naming rules.

- If multiple standard labels exist for extension taxonomy elements (i.e. in various languages), then any of those labels may be used as the basis for constructing the extension taxonomy element name. This is to follow the conventions applied in the ESEF taxonomy and the underlying IFRS Taxonomy.

Observation:

These three guidances give raise to interpretations. Due to lack of precise recommendation, the labelling of the elements in the extended taxonomies is treated differently by different software. This creates confusion between audit firms on what is the expected result. It also impairs the comparability of the ESEF reports.

In the guidance 3.4.6, the word **mirror,** notwithstanding the detailed explanations, is often interpreted as an exact match between the presentation linkbase and the human readable document in terms of labelling and signs.

For the core taxonomy elements, either the standard label of the core taxonomy elements or a specific standard label that reproduces the human readable label is sometimes included in the extension taxonomy label linkbase (as required by the SEC).

For the extension elements, a standard label is defined, usually in the report language, reproducing the human readable label and therefore used to name the extension element. If an English standard label is not provided, there is no way of understanding the accounting meaning of the extension (either by name or label).

Our recommendations:

1. Labelling of the base ESEF taxonomy elements: the standard label should not be overridden. This means that in cases where the standard labels of the core taxonomy are used, no standard label for the core elements used should be present in the extended label linkbases (as these labels would have a higher priority than the base taxonomy standard labels).
2. Labelling of the extension elements: we would recommend that the extension elements standard labels are defined in English, in accordance with the ESEF/IFRS style guide to provide the accounting meaning of the extension (the name of the extension will therefore be created in English). A verbose label may reproduce the human readable label in the language of the report.

3. Specific labels added to the core taxonomy elements: specific labels may be added to the standard labels either for core taxonomy elements and/or for extension elements. These labels would have a "preferred label" attribute and use the "verbose role".

4. Preferred labels: the core taxonomy has preferred labels translated in the various country's languages. These preferred labels are not "standard" and can be overridden by the human readable labels.

5. **For all ESEF reports to be consistent and comparable, we would recommend that a custom label roles be registered in the standard linkrole registry and defined in the ESEF taxonomy which would be called, for example, "as reported" or "issuer label". This role would be used to reproduce the label of the human readable document and would not interfere with either the standard or the preferred labels of the taxonomy (Periodstart, Periodend, Totallabel or Netlabel).**

NARROWER ANCHORS

RTS ANNEX III, 9b: Where the extension taxonomy element combines a number of core taxonomy elements, the issuer shall anchor that extension taxonomy element to each of those core taxonomy elements except any such core taxonomy element or elements, which are reasonably deemed to be insignificant.

The guidance on narrower anchoring is as follows:

Guidance 1.4.2 Anchoring of extension elements that are combinations [last updated: July 2021]

Annex IV of the RTS on ESEF sets out that where an extension taxonomy element combines a number of elements of the ESEF taxonomy, issuers shall anchor that extension taxonomy element to each of the elements in the ESEF taxonomy it combines, except where these elements are reasonably deemed insignificant.
This principle is best illustrated with an example. An issuer discloses in its IFRS statement of financial position an item 'issued capital and share premium'. The ESEF taxonomy does not include such an item. Therefore, it is necessary to create an extension taxonomy element. However, the taxonomy includes the elements 'issued capital' and 'share premium'. The extension taxonomy element represents a combination of the two elements that are available in the ESEF taxonomy. The extension taxonomy element 'issued capital and share premium' shall be anchored to these two elements, indicating that it is wider in scope than these two elements.
The obligation to anchor to "narrower" elements exists not only where the extension is exclusively a combination of core taxonomy, but rather whenever there is a combination of two or more taxonomy elements. For instance, if the issuer needs to create an extension for 'Share capital, Share Premium and [other entity specific reserve for which there is no tag available in the core taxonomy]', it is mandatory to anchor that extension to 'Issued capital' and 'Share premium'.

Note that there is no test relating to this guidance in the conformance suite.

Interpretation: We have noted in an auditor review the following comment: "combinations must consist of at least two narrow anchors. If the taxonomy has only one narrow anchor, setting (of only one narrower anchor) is not permitted."

Our recommendation:
The guidance is more restrictive than the RTS and therefore, there should not be any restriction or permission on the number of narrower anchors.

Taxonomy to be used

Guidance 3.1.2

The issuer's extension taxonomies must import the entry point of the taxonomy files prepared by ESMA.

In the tests, the taxonomy to be used are dated but they are not related to the reporting date. It needs precision.

Our recommmandation:

A consistency check between the taxonomy used and the reporting period would indeed be useful (together with a timely adoption by the EU)

Other matters

The group suggest that the ESEF manual be available in HTML format to ease navigation and referencing.

Blocktagging:

There are many problems with HTML styles. These problems will become more important in the blocktagging of notes: It should be stated that is not possible to see the content of the block outside of the XHTML viewer.

Also, there are many questions about the granularity of blocktagging and the way the mandatory tags should be applied.

There is a need for more precise guidance.