

# ESEF, current status update from the NBA

Enrico Evink

*Nederland rekent op zijn accountants.*

Koninklijke Nederlandse  
Beroepsorganisatie  
van Accountants

**NBA**

# Agenda

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1. ESEF changes in 2022
2. ESEF & the Auditor
3. Audit of the block tagging
4. Lessons Learned
5. Q&A



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Partner Ernst & Young Accountants LLP

## Polling question (1)

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What was your experience with ESEF last year?

### Companies & Auditors

- A. The process was very smooth
- B. We had some issues initially but in the end it worked out well
- C. We had a very difficult closing, and (nearly) missed the deadline

### Users

- D. (users) We are using ESEF in our analytics /reviews
- E. (Users): we are not using ESEF currently

# ESEF changes in 2022

# Changes in 2022

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The following are the main changes which are relevant for the 2022 financial statements:

1

## Tagging of disclosure notes - block tagging

As of 1 January 2022, in addition to last year's tagging, also the consolidated disclosure notes must be tagged (block tagging).

2

## ESEF Taxonomy 2021

The ESEF Taxonomy 2020 may no longer be used. As of March 2022, the ESEF taxonomy 2021 has been incorporated into EU Law and is mandatory for financial years starting on or after 1 January 2022.

3

## ESMA Reporting manual 2022

Yearly, the ESMA updates its ESEF reporting manual, which provides guidance on the preparation of ESEF annual financial reports.

RTS: [EUR-Lex - 02019R0815-20220101 - EN - EUR-Lex \(europa.eu\)](#)

Reporting Manual: [ESMA32-60-254 ESEF Reporting Manual \(europa.eu\)](#)

# 1 Tagging disclosure notes - ESEF regulation

## ESEF RTS Annex II, Point 3

Issuers shall mark up all disclosures made in IFRS consolidated financial statements or made by cross-reference therein to other parts of the annual financial reports for financial years beginning on or after 1 January 2022 that correspond to the elements in Table 2 of this Annex.

Table 2

Mandatory elements of the core taxonomy to be marked up for financial years beginning on or after 1 January 2022

Label	Type	References to IFRSs
Name of reporting entity or other means of identification	text	IAS 1 51 a

The image shows three overlapping screenshots of the ESEF RTS Annex II, Point 3 table. The table lists various mandatory elements of the core taxonomy and their corresponding references to IFRSs. The elements include disclosures related to climate change, environmental matters, and other sustainability-related topics. The references to IFRSs are listed in the third column of the table.

Table 2 includes about 250 mandatory elements



# 1 Tagging disclosure notes - ESMA Reporting Manual

<b>Notes to the consolidated IFRS financial statements</b> Random text random text random text random text random text random text random text random text random text random text	Disclosure of notes and other explanatory information [text block]
<b>Note 1. Accounting principles</b> Random text random text random text random text random text	Disclosure of significant accounting policies [text block]
<b>1.1 Basis of preparation</b> Random text random text random text random text random text	Disclosure of basis of preparation of financial statements [text block]
<b>1.2 Accounting judgement and estimates</b> Random text random text random text random text random text	Disclosure of accounting judgements and estimates [text block]
<b>1.3 Adoption of new standards</b> Random text random text random text random text random text	
<b>Note 2. Finance income</b> Random text random text random text random text random text Random text random text random text random text random text Random text random text random text random text random text	Disclosure of finance income (cost) [text block] Disclosure of finance income [text block]
<b>Note 3. Finance cost</b> Random text random text random text random text random text Random text random text random text random text random text Random text random text random text random text random text Random text	Disclosure of finance cost [text block]

# 1 Tagging disclosure notes - ESMA Reporting Manual (cont.)

## ESEF Reporting Manual Guidance 1.9.2 - tagging of tables

<b>Notes to the consolidated IFRS financial statements</b> Random text random text random text random text random text random text random text random text random text random text			Disclosure of notes and other explanatory information [text block]
<b>Note 2. Finance income and cost</b>			Disclosure of finance income (cost) [text block]
			Disclosure of finance income [text block]
			Disclosure of finance cost [text block]
In millions EUR	2021	2020	
Interest expense	100	100	Disclosure of finance cost [text block]
Other	50	50	
Total finance cost	150	150	
Interest income	100	100	Disclosure of finance income [text block]
Other	50	50	
Total finance income	150	150	



# 1 Block tagging Disclosure notes - Suggested approach

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- 1) All disclosures of the IFRS consolidated financial statements => 'Disclosure of notes and other explanatory information [text block]'
- 2) Disclosure relates to an accounting policy => 'Disclosure of significant accounting policies [text block]'
  - a) Specific accounting policy not tagged with corresponding disclosure tag if not disclosed together in the financial statements.
- 3) In principle each note with its own (sub)heading would be considered as a block.
  - a) The disclosure heading and its content => appropriate element.
  - b) Other elements that have a wider or narrower scope (different granularity) => if relevant considering the context of the disclosure.
- 4) Paragraphs within a note that represents a specific topic (possible sub-heading) => also tag paragraphs individually with the heading of that note

# 1 Tagging disclosure notes - Question

## 19. Intangible assets and goodwill

	Development costs €000	Patents and licences with definite useful life €000	Licences with indefinite useful life €000	Goodwill €000	Total €000
<b>Cost</b>					
At 1 January 2020	1,585	395	240	119	2,339
Additions - internally developed	390	-	-	-	390
Acquisition of a subsidiary (restated*)	-	-	-	131	131
<b>At 31 December 2020</b>	<b>1,975</b>	<b>395</b>	<b>240</b>	<b>250</b>	<b>2,860</b>
Additions - internally developed	587	-	-	-	587
Acquisition of a subsidiary	-	30	1,170	2,231	3,431
Assets held for sale	-	(138)	-	-	(138)
<b>At 31 December 2021</b>	<b>2,562</b>	<b>287</b>	<b>1,410</b>	<b>2,481</b>	<b>6,740</b>
<b>Amortisation and impairment</b>					
At 1 January 2020	165	60	-	-	225
Amortisation	124	50	-	-	174
<b>At 31 December 2020</b>	<b>289</b>	<b>110</b>	<b>-</b>	<b>-</b>	<b>399</b>
Amortisation	95	30	-	-	125
Impairment ( <a href="#">Note 20</a> )	-	-	-	200	200
Assets held for sale	-	(3)	-	-	(3)
<b>At 31 December 2021</b>	<b>384</b>	<b>137</b>	<b>-</b>	<b>200</b>	<b>721</b>
<b>Net book value</b>					
At 31 December 2021	2,178	150	1,410	2,281	6,019
At 31 December 2020 (restated*)	1,686	285	240	250	2,461

\* The amount of goodwill is restated and does not correspond to the figures in 2020 financial statements since adjustments to the final valuation of acquisition of Lightbulbs Limited were made, as detailed in [Note 8](#).

Which elements to use to mark-up this table?

- Disclosure of notes and other explanatory information [text block]
- a) Disclosure of intangible assets and goodwill [text block]
- b) Disclosure of goodwill [text block]
- c) Disclosure of intangible assets [text block]
- d) Disclosure of impairment of assets [text block]
- e) Disclosure of business combinations [text block]
- f) Disclosure of noncurrent assets held for sale and discontinued operations [text block]
- g) Disclosure of depreciation and amortization expense [text block]
- h) Disclosure of expenses [text block]
- i) Disclosure of expenses by nature [text block]

Suggested answer based on the suggested approach before

# 1 Tagging disclosure notes - Question

## 2.3 Summary of significant accounting policies

### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Which elements to use to mark-up the paragraph on the left?

- ✓ Disclosure of notes and other explanatory information [text block]
- ✓ Disclosure of significant accounting policies [text block]
- a) Description of accounting policy for business combinations and goodwill [text block]
- b) Description of accounting policy for business combinations [text block]
- c) Description of accounting policy for goodwill [text block]
- d) Description of accounting policy for intangible assets and goodwill [text block]
- e) Description of accounting policy for financial instruments at fair value through profit or loss [text block]
- f) Description of other accounting policies relevant to understanding of financial statements [text block]

Suggested Answer: Multi tagging on paragraph level

## 2 ESEF Taxonomy 2021

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Early 2022 the ESEF taxonomy 2021 was issued:

1

### Mandatory for 2022 financial statements

The 2021 ESEF taxonomy is required to be used for tagging the 2022 ESEF AFRs, the 2020 taxonomy is not allowed to be used anymore. The 2022 ESEF Taxonomy is only allowed to be used after officially being adopted by the EU.

2

### New elements

The 2021 ESEF taxonomy includes a few hundred new elements. As a consequence thereof, the element used to tag a line in the primary statements for 2021 might not be appropriate for 2022.

3

### Elements have changed

In the taxonomy standard attributes of elements have changed (e.g. the element full:CashFlowsFromUsedInOperatingActivitiesContinuingOperations), companies should take these changes into account in determining the appropriate tagging of their primary statements.



# 3 ESMA Reporting Manual 2022

## Some other relevant changes / emphasizes in the ESMA ESEF reporting manual

1

### Anchoring block tags

If a voluntary extension block tag is created, there is no requirement for anchoring this specific extension element.

3

### Dashes / empty fields

ESMA recommends dashes and empty fields in the primary statements to be tagged.

2

### Missing mandatory tags

If a mandatory element is missing, nothing to be tagged. Also no disclosure to be added for the element.

4

### Replacing labels

No duplicate labels to be used in client's taxonomy. If a client label is to be used, it should be in a linkrole not used in core taxonomy.

These are not the only changes to the ESMA Reporting Manual in the 2022 version. However, the other changes are expected to have a more limited effect compared to these.

# ESEF & the Auditor

## Polling question (2)

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Have you already discussed Block tagging and audit implications between your issuer client / auditor?

- A. I've not yet discussed this with my client / Auditor
- B. We had our first (general) meeting
- C. The draft tagging was already shared between us and agreed upon
- D. The dummy financial statement (in ESEF) was shared between us and agreed upon
- E. Not applicable (not an auditor or not working for an issuer)

# ESEF and the Auditor

## *NBA audit alert 43 / Standard 3950N*

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- Proposal to replace alert 43 with standard 3950N
- In essence the approach for the auditor remains the same
- Current expectation is that the standard will be published before year-end
- The main impact will be the reference in the opinion as well as further guidance now included for auditors
- Other elements included:
  - Identification => (e.g. (hashtotal) )
  - How to deal with other renderings (like PDF)
  - Work to be performed, including materiality
  - Combination with the statutory audit

Source: <https://www.nba.nl/globalassets/wet--en-regelgeving/nba-alerts/nba-alert-43.pdf> & <https://www.nba.nl/globalassets/wet--en-regelgeving/consultaties/lopende-consultaties/consultatie-standaard-3950n/concept-standaard-3950n---consultatie-publicatieversie-220720.pdf>

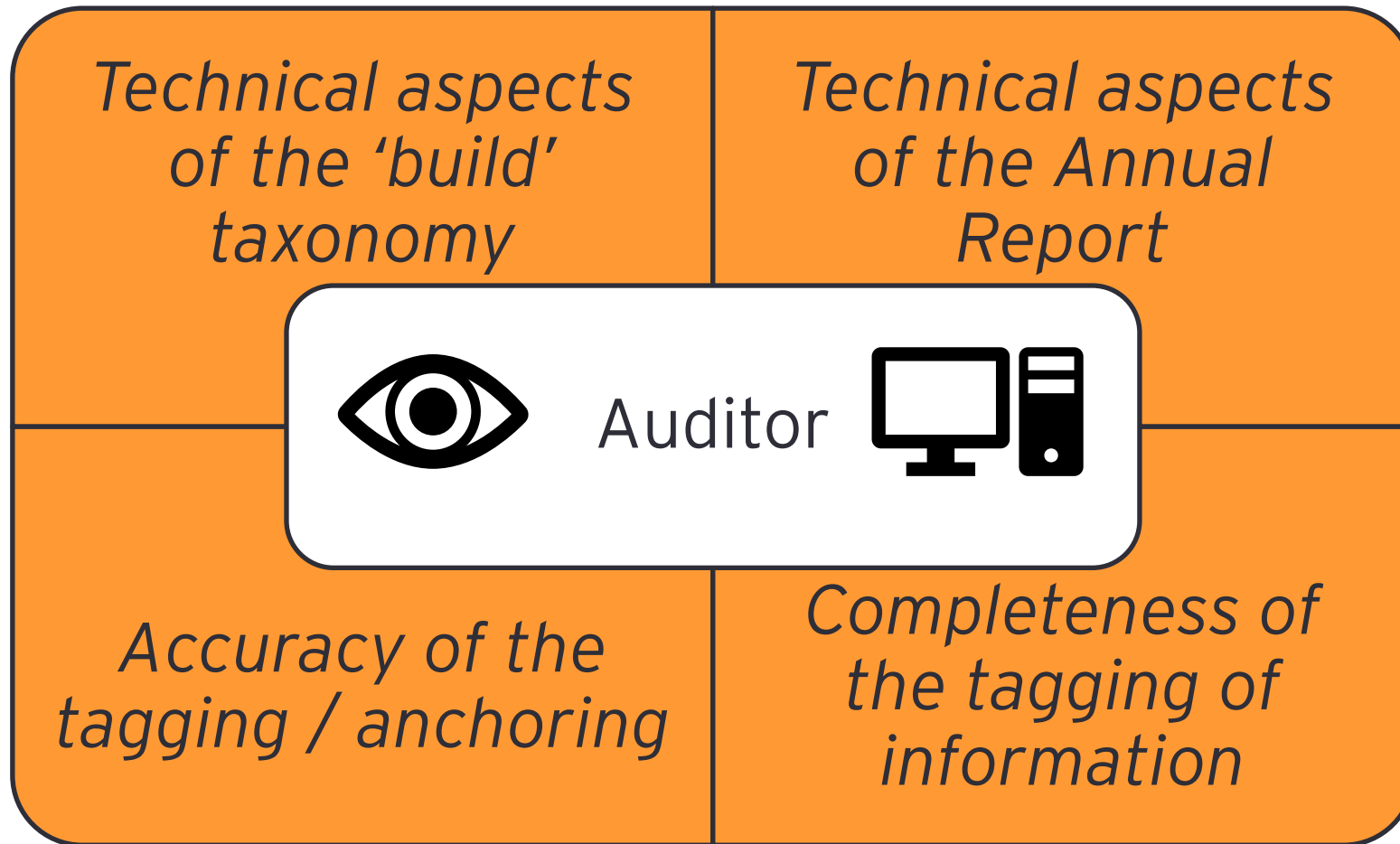


# ESEF and the Auditor

*NBA audit alert 43 / standard 3950N* - Reminder of the work to be performed by the auditor

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ESEF audit work relates to:



Source: <https://www.NBA.nl>

# Audit of the Block tagging

# Audit of block tagging: possible work steps

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Possible work steps for auditing the block tagging:

- Base line: (x)HTML and XBRL technical validation
- Step 1: Unused block tags
- Step 2: All numbered notes in the IFRS consolidated accounts tagged (at least once), including included by reference
  - if not specific reference available: *Disclosure of notes and other explanatory information*
- Step 3: correctness of the applied block tags
- Step 4: correct application of the multilayer (hierarchy) tagging
- Step 5: completeness of the block tagging of other paragraphs within a note

Besides the above: is the tagged information machine 'interpretable'?

# Audit of block tagging: Examples Machine readable? (1)

For example (read the example)

## 7. Financial income and expenses

FINANCIAL INCOME		
IN '000 €	2020	2021
Interest income	5	
Foreign exchange gains	781	347
Unwinding of non-current government grants receivable	297	209
Others	469	295
<b>TOTAL</b>	<b>1 552</b>	<b>851</b>

The foreign exchange gains mainly relate to the fluctuations of the American Dollar against the Euro in 2021 (2020: fluctuations of the Canadian Dollar and the Polish Zloty against the Euro).

becomes:

FINANCIAL INCOME IN '000  
€20202021Interest income5Foreign  
exchange gains 781347Unwinding of  
non-current government grants  
receivable 297209Others  
469295TOTAL1 552851The foreign  
exchange gains mainly relate to the  
fluctuations of the American Dollar  
against the Euro in 2021 (2020:  
fluctuations of the Canadian Dollar and  
the Polish Zloty against the Euro).  
FINANCIAL EXPENSES IN '000

	2021		2020		Käyvän arvon hierarkia	
1 000 EUR	Liite-tieto	Kirjanpitoarvo	Käypä arvo	Kirjanpitoarvo	Käypä arvo	
Rahoitusvarat						
Jaksotettuun hankintamenoön kirjattavat rahoitusvarat						
Pitkäaikaiset Saamiset	18	549	549	297	297	2

sopimusperusteisen oikeuden rahavirtoihin tai kun se on siirtänyt merkittäviä osin riskit ja tuotot konsernin ulkopuolelle. 2021

2020 1 000 EURLiite- tieto Kirjanpitoarvo Käypä arvo Kirjanpitoarvo Käypä arvo Käyvän arvon hierarkia

RahoitusvaratJaksotettuun hankintamenoön kirjattavat rahoitusvaratPitkäaikaisetSaamiset18 549 549 297 297 2



# Audit of block tagging: Examples Machine readable? (2)

Disclosure of notes and other explanatory information [text block]

textarea

source

Annual Report 2022

180

Notes to the Consolidated Financial Statements

in Mio. €

31.12.2022

31.12.2021

Deutschland	0,0	20,5
Übriger Euroraum	0,0	27,1
Sonstiges Ausland	0,0	73,5
Bruttobuchwert	0,0	121,1
Wertberichtigung aufgrund der erwarteten Verluste (Stufe 1)	0,0	- 0,8
Wertberichtigung aufgrund von objektiven Hinweisen (Stufe 2)	0,0	- 3,9
Wertberichtigungen	0,0	- 4,7
Summe Forderungen aus Lieferungen und Leistungen	0,0	116,4

Information about these reportable segments are provided in the table below EuropeAmericasAfrica, Middle East & Eastern EuropeAsia PacificHead Office

Page 21

9 november 2022

ESEF - Current status update from the NBA

Koninklijke Nederlandse  
Beroepsorganisatie  
van Accountants

NBA

# Block tagging disclosure notes - Suggested approach

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Machine readability is not part of the ESEF-RTS and for this year not in scope for the audit, mainly considering the short timeframe till year-end

# Lessons Learned

# Lessons learnt - Common Pitfalls

Avoid common pitfalls made in ESEF filings last year(s):



## Mandatory items tagging

If a 'required if disclosed' tag is not disclosed then it should not be tagged at all (e.g. also not as N/A). The resulting warning is just to remind you that if applicable (which it is not) it needs to be tagged.



## Calculation errors

All errors in calculations will be shown as warnings, as such also rounding errors in the primary statements, but also if incorrect linked numbers



## Primary statements - extra info

All amounts presented in the reporting currency in the primary statements are to be tagged, as such also additional information disclosed and Earnings-per-share amounts.



## Extension element - wider anchor

All extension elements, unless it is a subtotal, are to be anchored to a wider core taxonomy element that is closest in accounting meaning.



## Extension element - narrow anchor

Extension elements could be anchored to narrower core taxonomy elements. This is required if the extension element combines two or more core taxonomy elements.



## Using appropriate signs

Each concept has a default balance type (debit or credit). The default balance type combined with a positive or negative value represents the amount. Incorrect values result in incorrect ESEF reporting.



# Lessons learned- tips

Based on 2020 & 2021 ESEF annual financial reports:

1

## Start timely

Almost all companies needed multiple versions of the ESEF annual report before all material findings noted in the ESEF audit procedures were resolved. It is therefore key to start on a timely basis, have a kick-off call with the audit team early on and supply a dummy version before/during Autumn 2022.

2

## Complexity of findings

The findings noted in the ESEF audit procedures varied considerably in the level of complexity, and usually require the involvement of the ESEF software supplier. Making clear agreements with respect to timely involvement of the supplier is therefore crucial. In addition both from issuers and the auditor's side, ESEF specialists are involved to help. This can result in comments which are more technical in nature. However, it is vital for the issuer to have an adequate understanding of ESEF and the comments raised, in order to be involved in the discussions held and conclusions reached.

3

## ESEF preparation process

In various cases the issuer's regular financial statement close process was not adequate to ensure finalization of the ESEF annual report along the regular timelines. This could put pressure on the audit process as well, in particular since no changes can be made to the report after the issuance of the opinion.

4

## Recommend to use a Dummy ESEF file fore review

The most efficient way is when the taxonomy (tagging) is reviewed initially based on the dummy ESEF annual report. This ideally is done prior to the year end to ensure that the audit team and the issuer agree on the tagging.

# Recap

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## Key takeaway

Start discussion between the issuers and the auditors on a timely basis to 'dry run' the addition of the block tagging of the notes, especially considering the judgement needed

Agree on a timing of the work on the ESEF-financial statements. Taking into account that the XHTML need to be final before the Auditor's opinion can be signed.

Approach the ESEF-Audit in line with Alert 43 / standard 3950N as any other part of the audit and plan ahead.

Take into account the Lessons Learned mentioned



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Q&A