

Temporary Co-Pilots

E-Booklet European Single Electronic Format (ESEF)

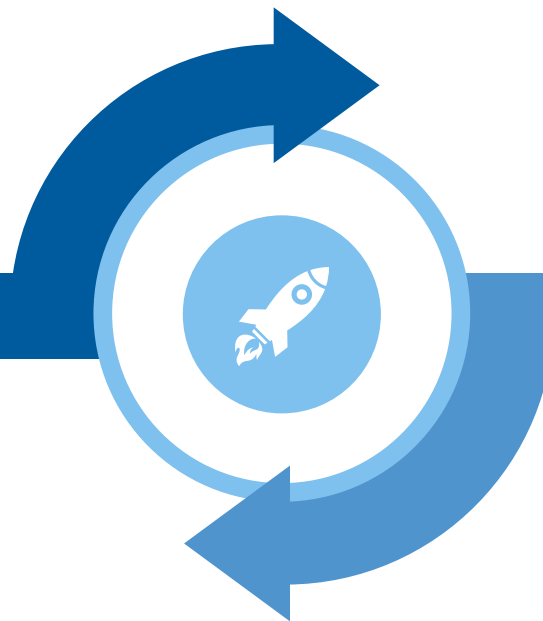
Everything you need to know about ESEF: Relevant background information, impacts and initial solutions

ESEF- European Single Electronic Format

Our experts at 4C GROUP are happy to help you keeping track of ESEF and support you in its implementation.

In order to achieve a successful implementation and meet ESEF requirements automatically in the future, a unique process analysis and system adaptation is necessary, for which 4C GROUP has developed two approaches: Built-In and Bolt-On.

Solution approach



Project approach

As 4C, we support you in implementing the new ESEF reporting requirements smoothly and recommend two project phases. In our e-booklet we have compiled our view on ESEF and all relevant information.

Content

01

Background information

02

Impact of the new regulation

03

Solution approach 4C GROUP

04

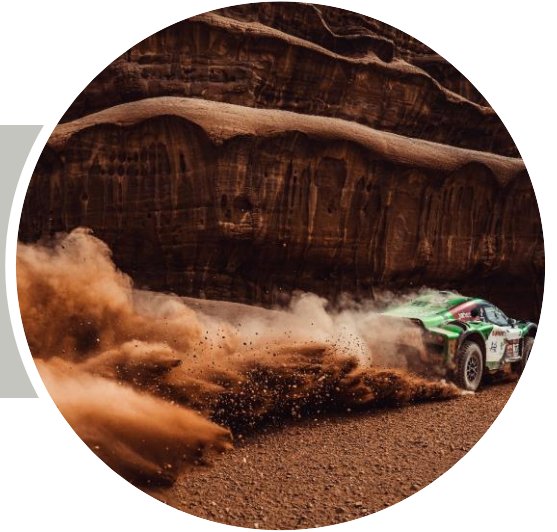
Project approach 4C GROUP

05

Additional information



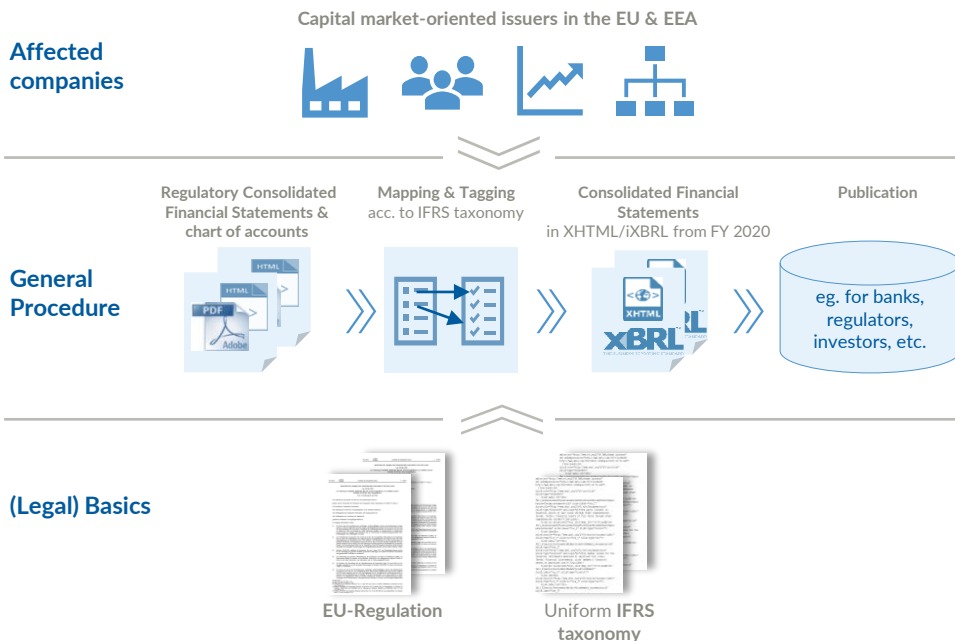
Background information



Background information

The introduction of the ESEF serves to increase the transparency of company information throughout Europe and thus the transparency of capital markets.

Consolidated Financial Statements according to European Single Electronic Format (ESEF)



What is it about?

- _ Uniform European reporting format for annual accounts as specified by the EU
- _ Publication of the annual financial statements:
 - _ by all capital market-oriented issuers in the EU & EEA
 - _ in electronically legible formats iXBRL or XHTML
- _ Taxonomy (structure) of the IFRS Foundation

What purpose?

- _ Increasing public comparability / benchmarking / common understanding of EU companies
- _ Increase of accessibility / electronic readability of company data
- _ Increasing efficiency in capital markets

Who is the receiver?

- _ Regulators, financial institutions, service providers / auditors
- _ Investors & other issuers

Background information

From 01.01.2020, all capital market-oriented companies within the EU & EEA are obliged to report in the electronic format iXBRL.

Consolidated Financial Statements according to European Single Electronic Format (ESEF)

Affected companies

Capital market-oriented issuers in the EU & EEA

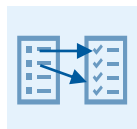


General Procedure

Regulatory Consolidated Financial Statements & chart of accounts



Mapping & Tagging acc. to IFRS taxonomy



Consolidated Financial Statements in XHTML/iXBRL from FY 2020



Publication



(Legal) Basics



EU-Regulation



Uniform IFRS-taxonomy

Who is affected?

- Capital market-oriented companies in the EU & EEA
- Companies that trade securities in regulated markets within the EU & EEA

Which period?

- Gradual rollout from 2020**
- From FY 2020***: Primary financial statements (among other things, balance sheet, profit and loss account, equity accounting, cash flow statement)
- From FY 2022****: Publication Notes to the Consolidated Financial Statements (e.g. Notes)

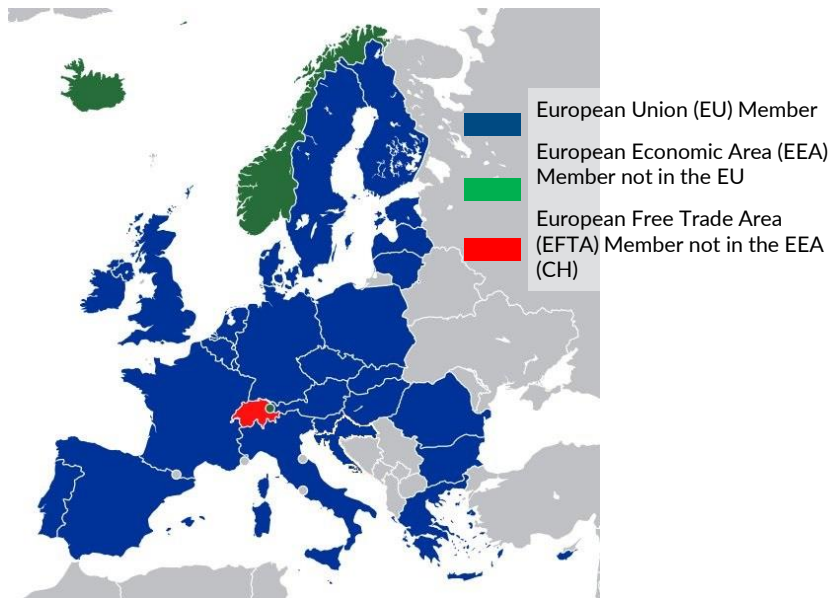
What should we do?

- Publication in electronic **format iXBRL / XHTML**
- Implementation of the **standard taxonomy** (uniform allocation of the components of the annual financial statements) of the **IFRS Foundation**
- Mapping of all elements** of the financial statements as well as **tagging** of the associated **iXBRL / XHTML elements**

Background information

In the countries affected by ESEF appropriate control bodies will be appointed.

Member States affected by ESEF (EU & EEA)



Control bodies in ESEF countries appointed so far

Officially Appointed Mechanism (OAM):

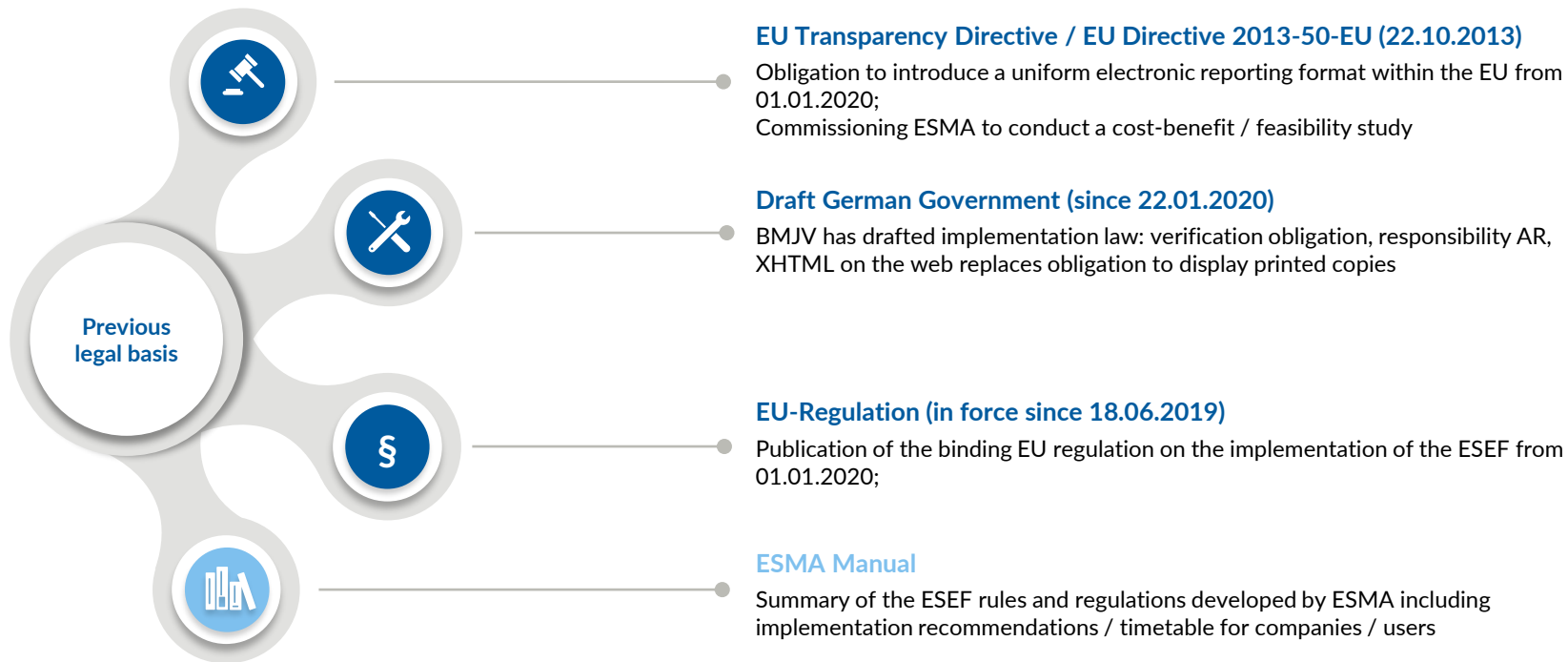
- _ Each Member State has already been assigned an OAM
- _ OAMs responsibility in each country:
 1. Collection of ESEF Reports
 2. Central storage of ESEF reports
- _ ESEF reports are not validated by OAMs

National Competent Authorities (NCA):

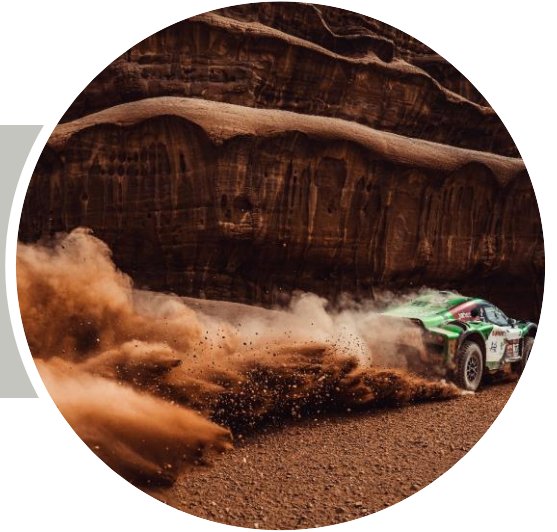
- _ NCAs act as supervisory bodies for ESEF
- _ ESEF reports can be validated by NCAs
- Unlike the European Banking Authority (EBA) or the European Insurance and Occupational Pensions Authority (EIOPA), OAMs do not share the collected reports with ESMA

Background information

According to the current EU draft regulation, all participants in a regulated market throughout Europe must publish their annual financial statements according to the ESEF.



Impact of the new regulation

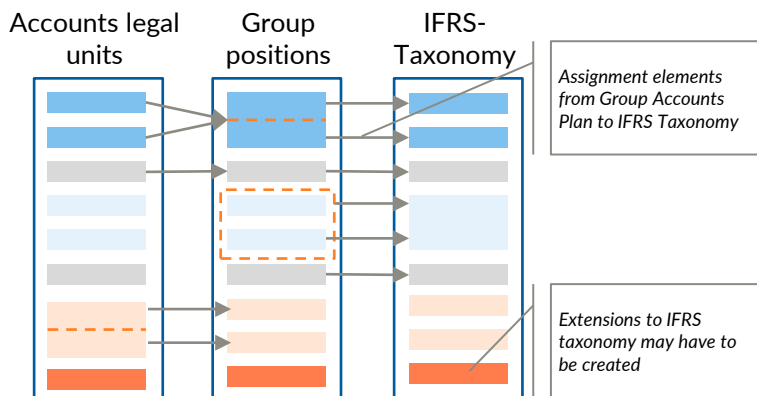


Impact of the new regulation

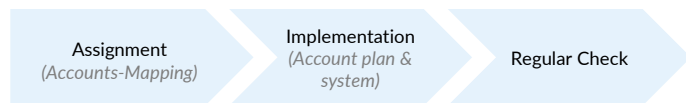
The new ESEF regulation has an impact on both the system landscape and the process organization of the reporting companies.

(Possible) effects of the new regulation

Allocation of existing accounts to IFRS-Taxonomy



Process view



1. Impact of technical implementation

- _ Further) development of new technical solutions
- _ Introduction of new Disclosure Management tools across the board
- _ (Further) development / adaptation of the company's own system landscape

2. Effects of content standardization (mapping)

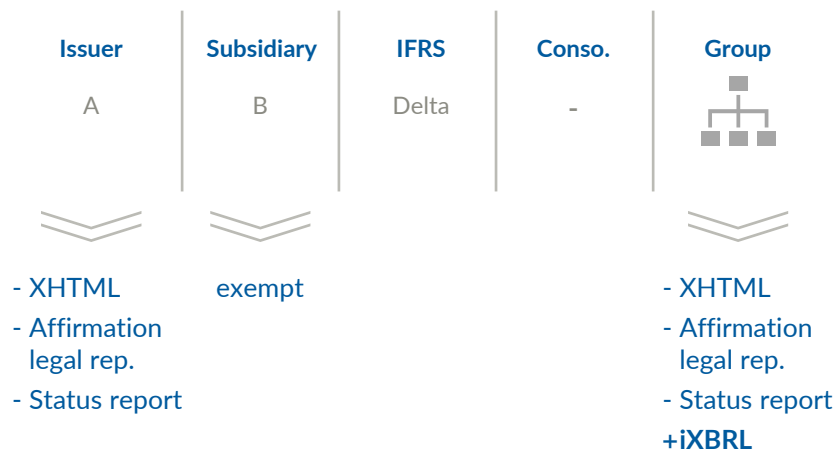
- _ Establishment of additional processes for mapping incl. Inspection process
- _ (If applicable) detailing / revising the consolidated accounts plan
 - > Examination consolidation rules
 - > Revision forms
 - > Audit assignment accounts of legal entities

3. Other conceivable effects

- _ Do many companies reorganize their external reporting strategies (e.g. on the web according to addressees + ESEF, no more print)?
- _ Will the taxonomy influence the structure of the financial statements? (see US - SEC regulation)
- _ Will not capital market-oriented companies also report in ESEF in the future?

Probable effects of the government draft

The transition into national legislation also affects the issuing company and defines the audit (STATUS ONGOING LEGISLATION PROCEDURE)



Specifications

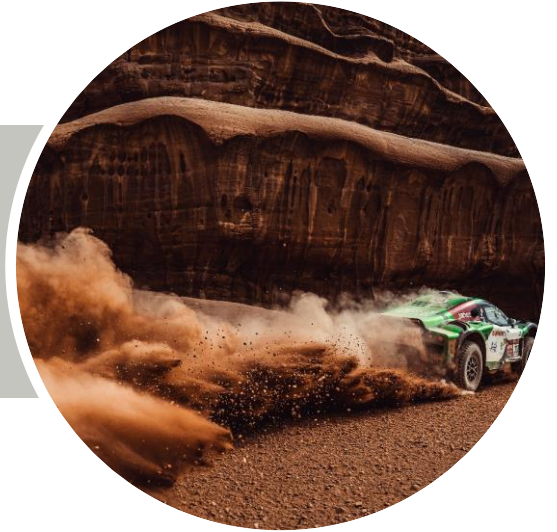
- _ The ESEF report is under review
- _ Electronic signatures are **not** required for the Board and the Supervisory Board
- _ An affirmation by the legal representatives is to be transmitted electronically
- _ In addition to the group, the issuing company is also obliged to transfer XHTML



Implication implementation

- _ The individual financial statements of the issuer ("AG") are to be transferred to local GAAP (HGB)
- _ The integration of the individual financial statements into the "ESEF tool" must be done separately, as the group accounting system is usually not able to deliver them

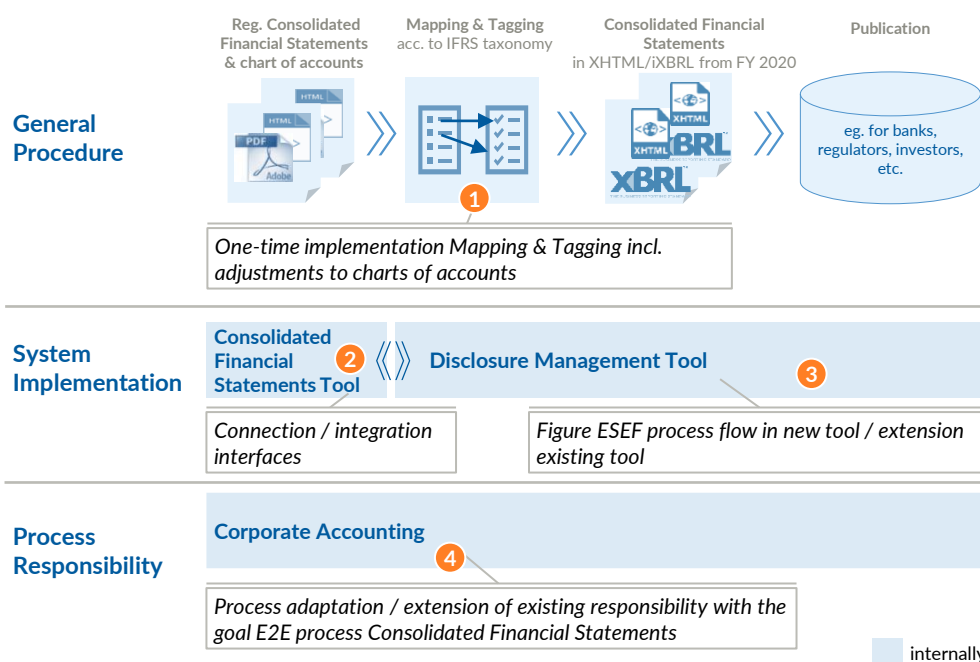
Solution approach 4C GROUP



Solution approach 4C GROUP

Through a unique process analysis and system adaptation, the requirements of ESEF can be met automatically in the future (built-in approach).

Implementation of ESEF guidelines acc. Built-in approach



Explanation

- Integration of the ESEF requirements as an E2E process in the existing consolidated financial statements process (dynamic integration with automated interfaces)
- iXBRL Mapping & Tagging is performed once and fully stored in the in-house system (process recommended for regular review / update)
- Illustration of technical requirements by ESEF in new Disclosure Management tool
- Connection of new disclosure management tool to existing systems

Advantages:

- Complete system integration possible in-house
- Drill-Down to original information possible
- Reduction of manual effort (interfaces, controls, etc.)
- Additional contribution to digitization through automated report generation

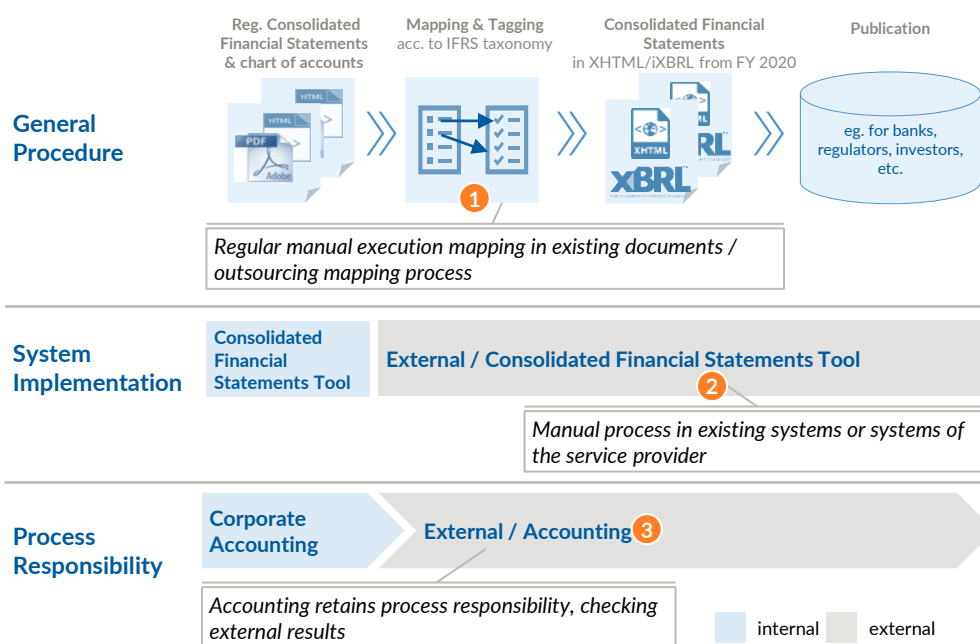
Disadvantages:

- High initial investment for system customization

Solution approach 4C GROUP

Through a unique process analysis and system adaptation, the requirements of the ESEF can be met automatically in the future (bolt-on approach).

Implementation of ESEF guidelines acc. Bolt-on approach



Explanation

- _ Implementation of ESEF requirements via regular manual mapping in existing documents or outsourcing of the mapping and creation process
- _ System support within a small extension of the consolidated financial statements conceivable

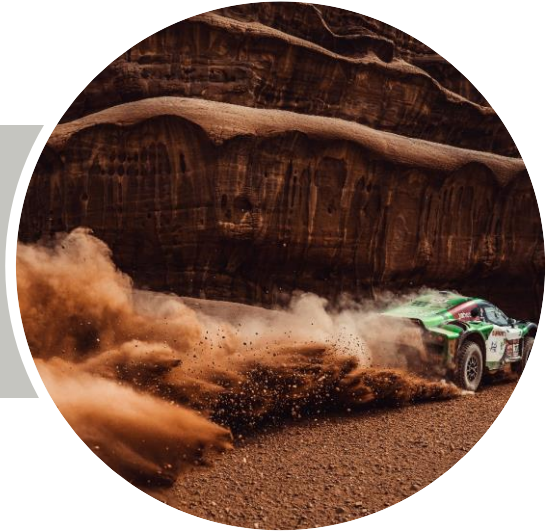
Advantages:

- _ Lower initial investment
- _ Decreased additional burden on Group accounting

Disadvantages:

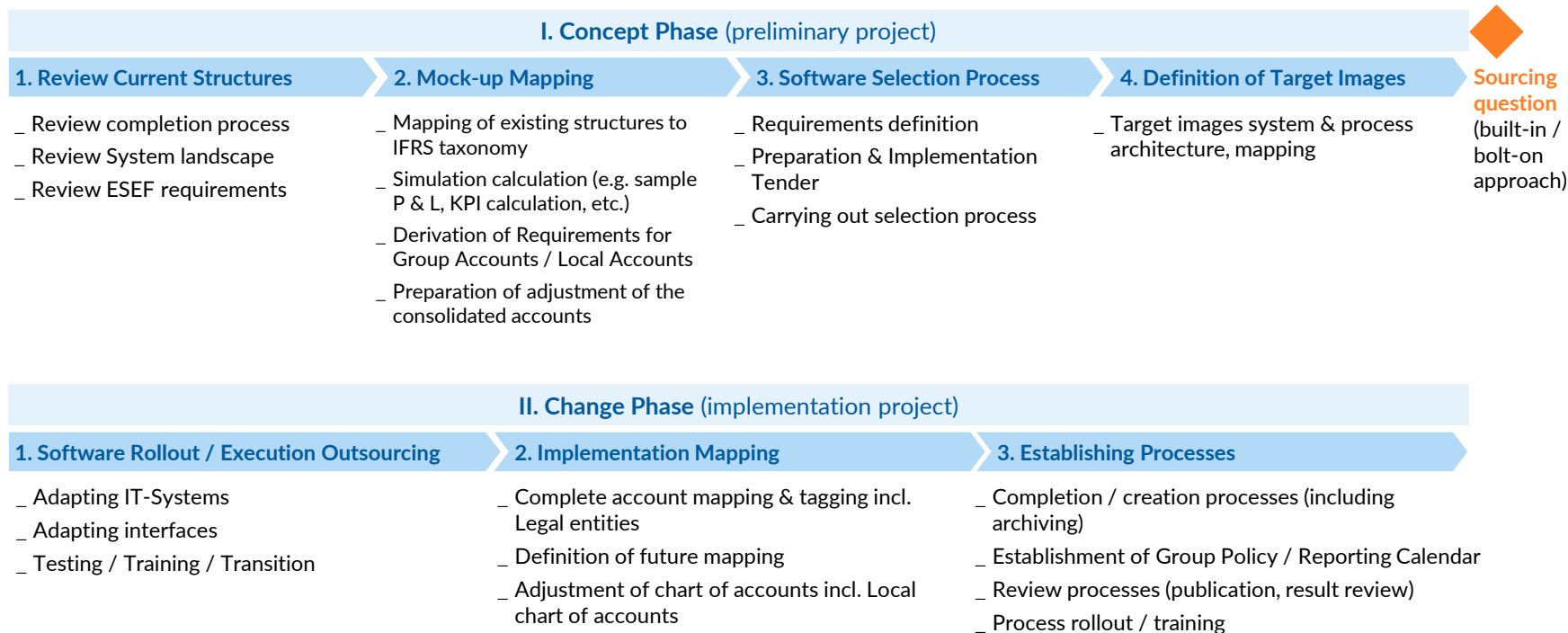
- _ Lowered own control over creation process
- _ Increased complexity when adjusting consolidated accounts plan

Project approach 4C GROUP



Project approach 4C GROUP

To implement the ESEF guideline, the 4C GROUP recommends two project phases separated by the sourcing question - concept phase & change phase.



Solution providers

Established Disclosure Management providers will offer solutions.

Tagetik:

CPM platform;
Includes Disclosure Management,
ESEF solution integrated with
Corefiling

Tagetik

(possible)
provider
Disclosure
Management

CERTENT

Certent:

Long-established disclosure
management solution on the market;
Experience with SEC reporting, ESEF
solution under development; rated by
ESMA as a suitable provider

Workiva:

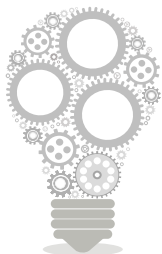
Disclosure Management platform;
Market Leader in North America;
Market entry in DACH ongoing

workiva

AMANA
consulting

Amana Smart Notes:

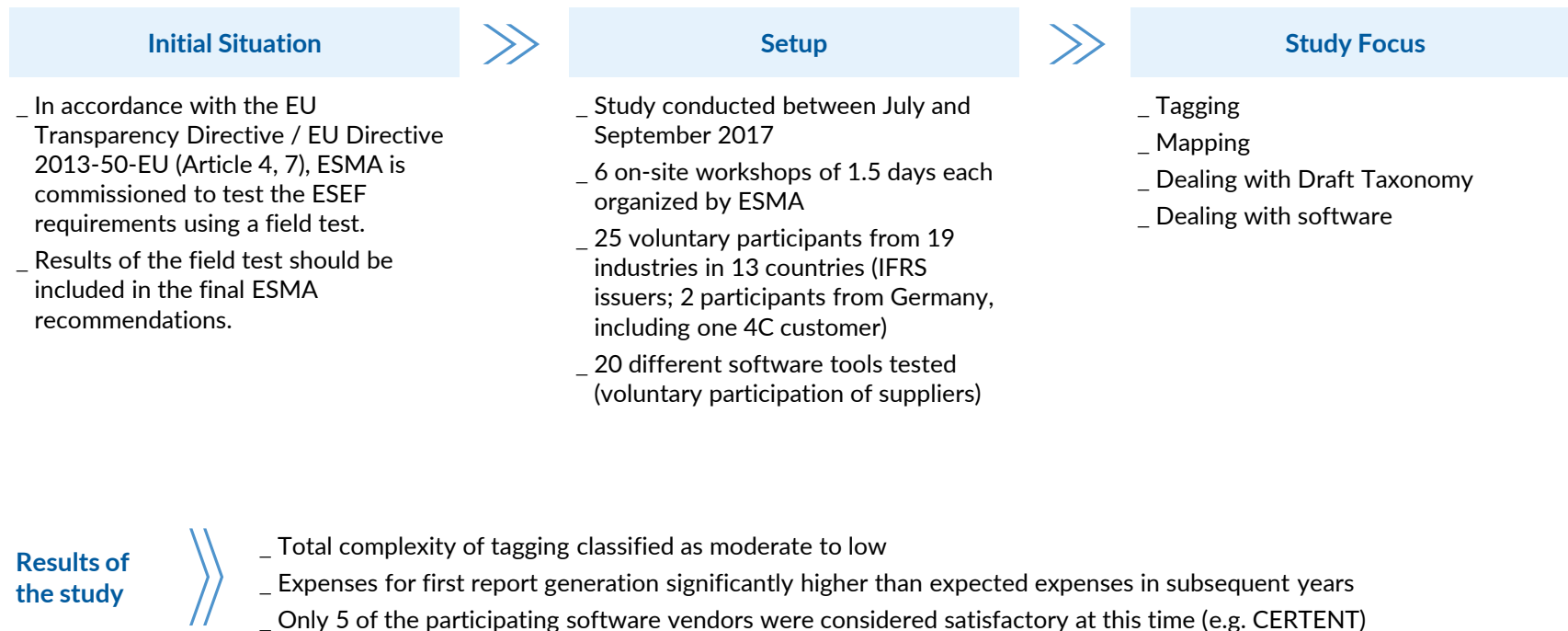
Local Disclosure Management
solution established in Germany for
many years;
Implementation of ESEF completed



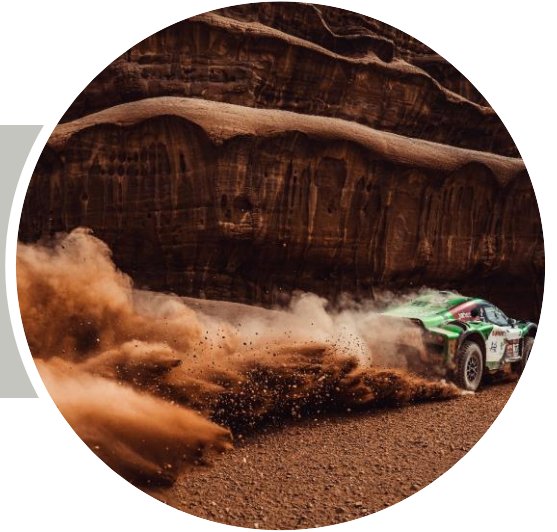
„The market is currently under surveillance and on the move - more players are expected “

Solution providers

The field test conducted by ESMA in 2017 shows that most providers still have some catching up to do in the area of software implementation.



Additional information



Additional information

Selected information / reading recommendation

1

Berger / Lieck – Corporate Reporting with iXBRL

Magazine for international and capital market-oriented accounting (KoR); Nr. 3 / 2018; pp. 109-118



Summary article on the requirements of the new single European reporting format ESEF;
Description of different options and the different report formats

2

ESMA – ESEF Reporting Manual

https://www.esma.europa.eu/sites/default/files/library/esma32-60-254_esef_reporting_manual.pdf



Official ESMA manual on how to prepare the consolidated financial statements in accordance with ESEF

3

ESMA – Feedback Statement

https://www.esma.europa.eu/system/files_force/library/2016-1668_esma_feedback_statement_on_the_rts_on_esef_0.pdf



Result documentation from ESMA; Test result on EU requested analysis of possibilities of a single European reporting format

4

EU Directive 2013-50-EU

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:294:0013:0027:en:PDF>



Legal basis ESEF (Article 4, 7)

Your Contacts at 4C GROUP

I am always available for in-depth discussions.



Markus Noçon

Senior Partner

+49 89 599 882 18





Office Munich
Elsenheimerstrasse 55a
80687 Munich

Office Frankfurt
MesseTurm
60308 Frankfurt

Office Berlin
Franzoesische Strasse 8
10117 Berlin

Office Dusseldorf
Neuer Zollhof 2
40221 Dusseldorf

Enforcing
performance