



FAQ2023-02 FREQUENTLY ASKED QUESTIONS

(as adopted by IRE Council on March 23, 2023)

EUROPEAN SINGLE ELECTRONIC FORMAT

Index

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1. PURPOSE

From the year ended 31 December 2020, companies listed in the EU have to issue their annual financial report using a new format called European Single Electronic Format or "ESEF".

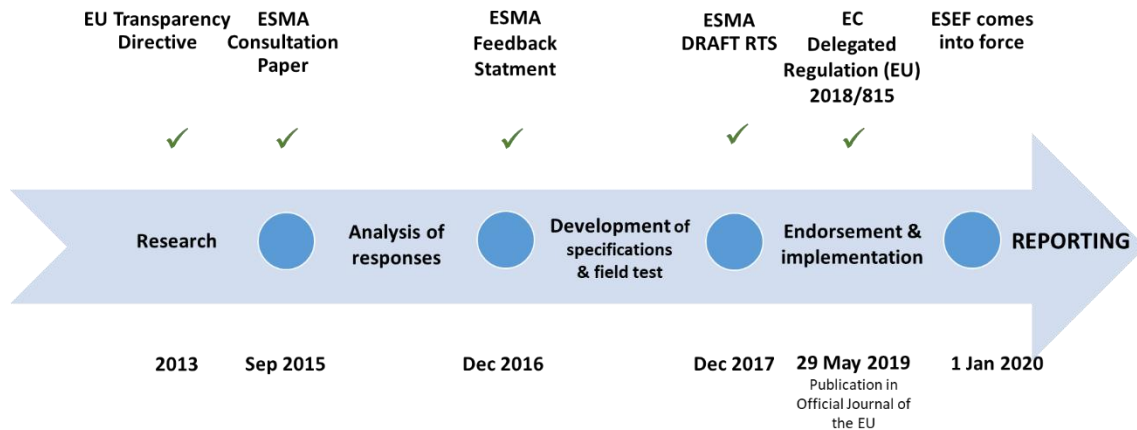


Figure 1 : Source: IRE based on ESMA (European Securities and Market Authorities) Staff presentation 10 October 2018

The purpose of this "Frequently Asked Questions" ("FAQs") is to provide additional information on practical aspects on the European Single Electronic Format for approved statutory auditors¹ ("réviseurs d'entreprises agréés") and approved audit firms ("cabinets de révision agréés") auditing companies whose transferable securities are admitted to trading on a EU regulated market.

This FAQs replaces the FAQ2022-16 of 21st February 2022 "European single electronic format ("ESEF")".

2. LIMITATIONS

The clarifications and interpretations of the legislation and the European regulation presented in this document summarise conclusions drawn from questions addressed to the "Institut des réviseurs d'entreprises" ("IRE") and are purely of an informative nature. They are not normative in nature and in no way bind the IRE.

The reader should always refer to national and European legislations, the Code of Ethics as adopted by the "Commission de surveillance du secteur financier" ("CSSF") and, if necessary, seek advice from a legal professional.

The IRE, its Board and/or Secretariat accept no responsibility for the content of this document and any damage resulting suffered from its use by a party who has relied on this document in taking a decision or action or not taking action.

¹ In this FAQs, the term approved statutory auditors covers equally the approved statutory auditor ("réviseur d'entreprises agréé") and the approved audit firm ("cabinet de révision agréé") unless the precision is required. For the definition of approved statutory auditor and approved audit firm, reference should be made to the Law of 23 July 2016 on the audit profession.



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3. QUESTIONS AND ANSWERS

The FAQ is composed of the following sections

- a) Background on ESEF and entities in scope of ESEF (Q1 to Q3)
- b) Requirements for Issuers (Q4 to Q8)
- c) Diligences of the approved statutory auditor (Q9 to Q15)
- d) Other considerations (Q16 to Q22)

a) Background on ESEF and entities in scope of ESEF

Q1. What is ESEF?

ESEF (*European Single Electronic Format*) is the new single electronic reporting for the preparation of annual financial reports to be published by listed companies in the European Union from 2021 onwards. ESEF has been introduced by the commission delegated regulation (EU) 2019/815, following an extensive consultation process led by the European Securities and Markets Authority ("ESMA"). This format provides for one single file (prepared under XHTML) which will include the financial statements, the management report and the responsibility statements of the persons responsible within the company. This file will be human-readable similar to a normal webpage.

As an additional obligation, companies who prepare consolidated financial statements, on the basis of International Financial Reporting Standards ("*IFRS*") as adopted by the European Union, will have to tag certain information in their financial statements using inline specifications (iXBRL) in order to make the financial statements machine-readable.

Q2. What is the purpose?

ESEF will enhance the comparability and usability of financial information. In particular, better and more comprehensive use of company data by investors and analysts is expected when using the inline specifications (iXBRL). This will enhance the transparency of the EU capital markets.

Q3. Which companies will have to prepare their annual financial reports in ESEF?

All entities in scope of article 4 of Directive 2004/109/EC ("EU Transparency Directive") are required to prepare their annual financial reports in ESEF, i.e. all entities with securities (including both shares and bonds) listed on an EU regulated market - regardless of whether their registered office is in the EU or in a third country - will have to prepare their annual financial reports in XHTML file format;

EU issuers who prepare IFRS consolidated financial statements will have to markup these with reference to the ESEF taxonomy. The markup of standalone financial statements by EU issuers is allowed provided that this is done using iXBRL and that the local EU member state taxonomy is followed where the EU issuer is incorporated;

Third-country issuers will need to tag in accordance with the elements that correspond to the IFRS as issued by the International Accounting Standards Board ("*IASB*"). Third-country issuers using third-country GAAPs are not yet allowed to tag their financial statements.



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Here below a summary:

| Situation | ESEF applicable | Comment |
|---|--|---|
| Entity A's shares are listed on the Luxembourg Stock Exchange BDL market and prepares IFRS-EU consolidated financial statements. | Yes - Annual Report in xHTML and markup of consolidated financial statements required. | Entity A's shares are listed on an EU Regulated market and therefore it falls within the scope of the EU Transparency Directive. |
| Entity B's bonds are listed on the Luxembourg Stock Exchange BDL market and prepares IFRS-EU consolidated financial statements. The nominal value of a bond is less than EUR 100,000 (denomination per unit). | Yes - Annual Report in xHTML and markup of consolidated financial statements required. | Entity B's bonds are listed on an EU Regulated market and therefore it falls within the scope of the EU Transparency Directive. |
| Entity C's shares are listed on the Luxembourg Stock Exchange BDL market and does not prepare consolidated financial statements (no subsidiary). | Yes - Annual Report in xHTML required. | As Entity C's shares are listed on an EU Regulated market and therefore it falls within the scope of the EU Transparency Directive. This gives rise to the requirement to submit an annual report under the XHTML format. No markup is required as Entity C does not prepare consolidated financial statements. |
| Entity D's shares or bonds are listed on the Luxembourg Stock Exchange Euro MTF and prepares IFRS-EU consolidated financial statements. | Not applicable | Euro MTF is not an EU Regulated market and therefore is ESEF not applicable. |
| Open-ended fund listed on the Luxembourg Stock Exchange BDL market. | Not applicable | Open ended funds are not in the scope of the EU Transparency Directive. |



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| Situation | ESEF applicable | Comment |
|--|---------------------------------------|---|
| Closed-ended fund listed on the Luxembourg Stock Exchange BDL market. | Yes - Annual Report in xHTML required | Units listed on an EU Regulated market are within the scope of the EU Transparency Directive. Therefore, the requirement to submit annual report under XHTML format. If consolidated financial statements are prepared, then mark-up is required. |
| Entity E is a PIE however it has no instruments listed on a stock exchange. | Not applicable | No instruments are listed on an EU Regulated market and therefore the EU Transparency Directive does not apply. |
| Entity F's shares are listed on the Luxembourg Stock Exchange BDL market and is an investment entity (does not prepare consolidated financial statements). | Yes - Annual Report in XHTML. | Entity F's shares are listed on an EU Regulated market and therefore falls within the scope of the EU Transparency Directive. This gives rise to the requirement to submit its financial statements under XHTML format. No markup is required as the Entity does not prepare consolidated financial statements. |
| Entity G's bonds are listed on the Luxembourg Stock Exchange BDL market. The nominal value of a bond is at least EUR 100,000 (denomination per unit). Entity G Prepares IFRS-EU consolidated financial statements. | Not applicable | The Entity does not fall within publication requirements of the EU Transparency Directive and therefore is not in scope of ESEF. ² |
| Entity H's shares or bonds are listed on an EU regulated Stock Exchange other than Luxembourg Stock Exchange. | Yes | Entity H's shares are listed on an EU Regulated market and therefore it falls within the scope of EU Transparency Directive. This case is similar to the examples listed above for the Luxembourg Stock Exchange and similar exemptions may also apply. |

² <https://www.luxse.com/regulation>



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| Situation | ESEF applicable | Comment |
|---|-----------------|---|
| Entity K is incorporated in a third country and has deposit receipt (GDR / ADR) listed on Bourse de Luxembourg stock exchange (EU Regulated market). Entity K prepares consolidated financial statements in accordance with IFRS. | Yes | The issuer represented by the receipts concerned falls into the scope of the EU Transparency Directive and as such is subject to ESEF requirements. |

b) Requirements for Issuers

Q4. Since when is ESEF applicable?

ESEF entered into force for the preparation of annual financial reports for financial years beginning on or after 1 January 2020. In practice, the CSSF informed issuers³ that Luxembourg would use the 1-year postponement option of the ESEF requirements⁴. Most Luxembourg entities applied ESEF for the first time for their annual financial reports for periods beginning on or after 1 January 2021.

Q5. Which elements need to be tagged?

For entities in scope of the tagging requirement (i.e. EU issuers who prepare IFRS consolidated financial statements, refer to Q3), the following elements need to be tagged:

- Primary financial statements (Consolidated Statement of financial position, consolidated statement of profit or loss and other comprehensive income for the year, consolidated statement of cash flows and consolidated statement of changes in equity) shall be marked up in detail. Each figure needs to be linked in line with the ESEF taxonomy.
- The Notes to the consolidated financial statements instead will need to be marked up by applying mark-ups for whole sections of the notes (block tagging). The requirements to tag the notes has been introduced in 2 phases:

³ « Communiqué de presse » 21/01 of 20th January 2021 <https://www.cssf.lu/en/2021/01/delay-by-one-year-of-esef-requirements-for-listed-companies/>

⁴ https://ec.europa.eu/commission/presscorner/detail/en/mex_20_2389



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- o for financial years beginning before 1 January 2022, only 10 mandatory elements need to be tagged:

| Label | IFRS Reference |
|---|------------------------|
| Name of reporting entity or other means of identification | IAS 1 51 a |
| Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period | IAS 1 51 a |
| Domicile of entity | IAS 1 138 a |
| Legal form of entity | IAS 1 138 a |
| Country of incorporation | IAS 1 138 a |
| Address of entity's registered office | IAS 1 138 a |
| Principal place of business | IAS 1 138 a |
| Description of nature of entity's operations and principal activities | IAS 1 138 b |
| Name of parent entity | IAS 1 138 c, IAS 24 13 |
| Name of ultimate parent of group | IAS 24 13, IAS 1 138 c |

- o for financial years beginning on or after 1 January 2022, a more complete tagging of notes is required. As from this date, it is now mandatory to mark up 244 elements listed in table 2 in Annex II of the Regulatory Technical Standard ("RTS") on ESEF. These mandatory elements include the 10 already applicable previously, but also specific tags applicable to the description of accounting policy for individual captions in the financial statements, and tags applicable to the disclosure of such elements.

| | IFRS consolidated Financial Statements | Individual Financial Statements | 3rd country GAAP Financial Statements |
|--|--|--|---------------------------------------|
| Primary Financial Statements (B/S, I/S, SCI SoCE, CFS) | Mandatory from 1 Jan 2020 | Voluntary (if taxonomy provided by the Member State) | Forbidden |
| block tagging of Notes | Mandatory from 1 Jan 2022 | | |
| Detailed tagging of Notes | Voluntary | | |

Figure 2 : Source: IRE based on ESMA Staff presentation 10 October 2018



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Preparers shall mark-up disclosures using the taxonomy element having the closest accounting meaning to the marked up disclosure; if the closest taxonomy element misrepresents the accounting meaning of the disclosure, then the issuers shall create a so-called “*extension taxonomy element*” and anchor such extension to the core taxonomy element that has the closest accounting meaning.

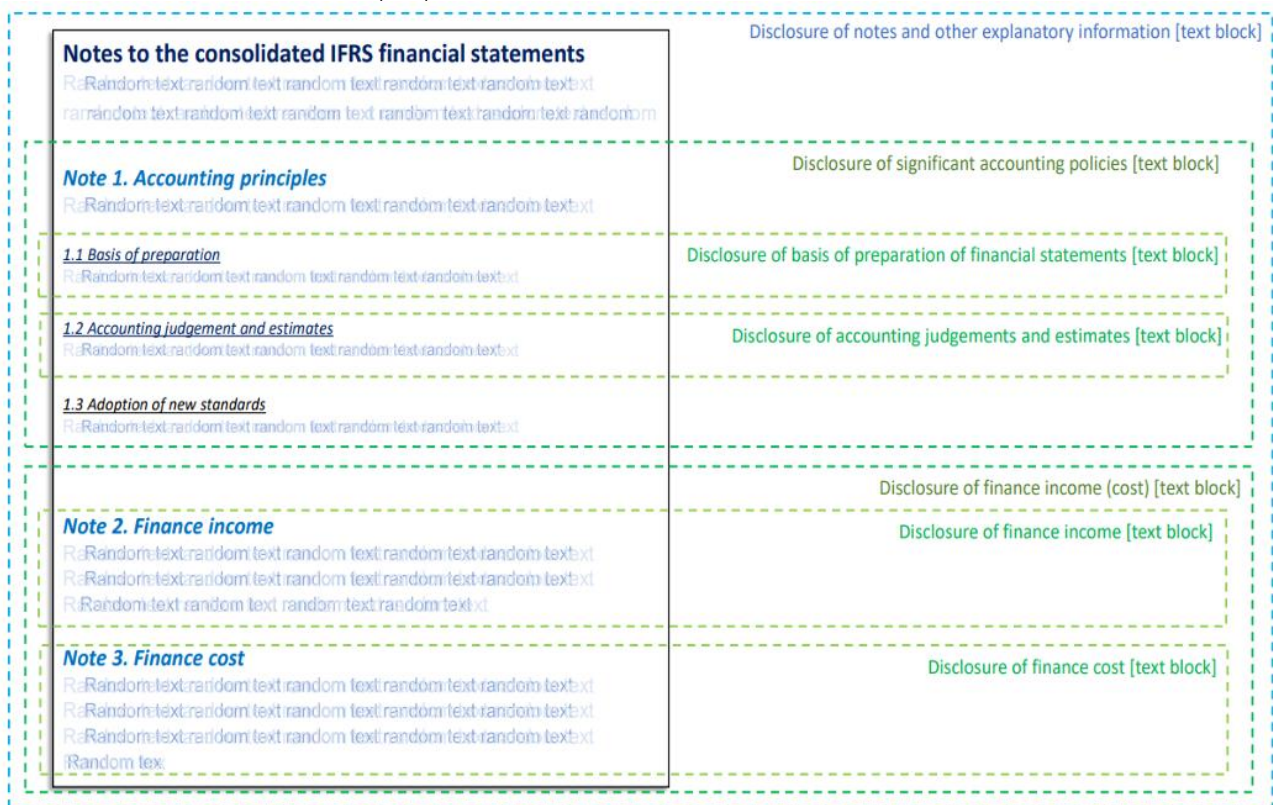
Q6. Is it possible to apply multiple tags to the same information ?

In the primary financial statements, each figure can only be associated with a single tag.

For the block tagging of the notes, the same information can be linked to multiple tags. ESMA has communicated in the ESEF reporting manual⁵ that when a disclosure corresponds to more than one element, preparers should use each of them and multi tag the information to the extent that corresponds with the underlying accounting meaning of the information.

As illustrated in the example below, the same section in Note 1 should be included in 3 different tags:

- disclosure of notes and other explanatory information
- disclosure of significant accounting policies
- disclosure of basis of preparation of financial statements



Source: ESMA ESEF reporting manual section 1.9 “Block tagging”

Tables in the notes can be tagged with the lowest level of granularity applicable to the whole table. It is not necessary to apply separate tags to the different rows or columns.

⁵ <https://www.esma.europa.eu/document/esef-reporting-manual>



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Q7. What is a Taxonomy?

A taxonomy provides the hierarchical structure used to classify financial information and is essential for structured electronic reporting using XBRL.

Q8. Which taxonomy needs to be used?

The taxonomy to be used for ESEF is an extension of the IFRS taxonomy. As the IFRS Standards and related taxonomy evolve, the RTS on ESEF will evolve accordingly in order to provide preparers with the most relevant ESEF taxonomy for tagging IFRS consolidated financial statements.

ESMA is responsible for updating the RTS and will update the taxonomy at least annually. 2022 taxonomy has been published in December 2022. Issuers may in any case continue to use the 2021 ESEF taxonomy files for their annual financial reports concerning financial years beginning on or after 1 January 2022.⁶

c) Diligences of the approved statutory auditor

Q9. What kind of assurance will be provided for financial statements prepared in compliance with ESEF? Will these ESEF-compliant reports need to be audited?

Luxembourg supplement to ISA 700, adopted in CSSF regulation 22-01 requires that ESEF is in scope of the audit, and covered in the auditor's report:

"43.ESEF. For entities that are required to prepare their financial statements in compliance with the relevant statutory requirements set out in the ESEF regulation⁷, the auditor shall in the auditor's report:

- (a) State, in the section "Report on Other Legal and Regulatory Requirements", whether, based on the work undertaken in the course of the audit, the financial statements comply with the relevant statutory requirements set out in the ESEF Regulation;*
- (b) Explain the related management's responsibilities in the section "Responsibilities of Management and Those Charged with Governance for the Financial Statements";*
- (c) Explain the related auditor's responsibility in the section "Auditor's Responsibilities for the Audit of the Financial Statements";"*

This is aligned with the view of the European Commission that ESEF information should be in the scope of the statutory audit. Please refer to the clarification from the EU commission⁸ published on 10 November 2020.

Q9.1: *Are statutory auditors required to provide an audit opinion on whether the financial statements included in the annual financial reports comply with the relevant statutory requirements laid down in the ESEF Regulation?*

EU Commission Clarification: Statutory auditors are required to check the compliance of the financial statements with any applicable statutory requirement, including the relevant statutory requirements set out in the ESEF Regulation and to provide an audit opinion on whether the financial statements comply with these requirements.

⁶ <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-2022-esef-xbrl-taxonomy-files-and-esef-conformance-suite>

⁷ Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation")

⁸ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2020_379_R_0001&qid=1604999571869



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Q9.2: *Which statutory requirements laid down in the ESEF Regulation should statutory auditors check compliance with, in order to provide their audit opinion?*

EU Commission Clarification: In order to provide an audit opinion on whether the financial statements comply with the “relevant statutory requirements” laid down therein, statutory auditors shall check the compliance of the issuers’ financial statements with the provisions of the ESEF Regulation that are applicable to the financial statements. The “relevant statutory requirements” are the following:

- i) All the financial statements that are included in the annual financial report shall be prepared in a valid XHTML format.
- ii) For all consolidated financial statements that are drawn up in accordance with IFRS as endorsed by the EU or with IFRS as adopted by the IASB:
 - The disclosures specified in Annex II of the ESEF Regulation shall be marked-up, where those disclosures are present in those consolidated financial statements;
 - All mark-ups, including the voluntary mark-ups of disclosures other than those specified in Annex II, shall meet the following requirements:
 - the XBRL mark-up language shall be used;
 - the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created in compliance with Annex IV of the ESEF Regulation;
 - the mark-ups shall comply with the common rules on mark-ups.
- iii) For financial statements other than the IFRS consolidated financial statements:
 - All mark-ups included by the issuer on a voluntary basis or in compliance with national law shall meet the following requirements:
 - the XBRL mark-up language shall be used;
 - a specific taxonomy provided by the Member State in which the issuer is incorporated shall be used;
 - the mark-ups shall comply with the common rules on mark-ups.

Q10. What procedures need to be performed by the approved statutory auditor on financial statements in ESEF?

Annexe 3 of CSSF regulation 22/01 highlights specifications to be complied with by approved statutory auditors in addition to the provisions of auditing standards. Procedures should cover the following aspects:

- Planning of the auditors' work
- Understanding the process for preparing the financial statements in ESEF and related controls
- Procedures related to the XHTML format
- Procedures related to the marking up
- Additional procedures
- Reporting on compliance with ESEF in the audit report
- Other aspects (independence, engagement letter, use of expert, communication, written representation, documentation)

These Luxembourg guidelines are aligned with the guidelines issued by the CEOAB on 9 November 2021⁹, except for §12, 13, 17, 24 and 25 of the CEOAB guidelines which have not been embedded in the CSSF regulation.

Based on discussions with CSSF these paragraphs were not transposed as they relate to additional procedures of the EU Transparency Directive not implemented for Luxembourg (§12 & 13), relate to circumstances not common in Luxembourg (joint audit - §24 & 25) or are not applicable (§17)

Q11. What is the impact on the audit opinion?

The impacts on the audit opinion may be summarised as follows:

- In the Paragraph "*Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements*", the following sentence will be added:

"The Board of Directors is responsible for presenting [and marking up] the [consolidated] financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation")."

- In the Paragraph "*Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the Financial Statements*", the following sentence will be added:

"Our responsibility is to assess whether the [consolidated] financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation."

- In the paragraph "*Report on Other Legal and Regulatory Requirements*", the following language will be included:

"We have checked the compliance of the [consolidated] financial statements of the Company [or the Group] as at [date] with relevant statutory requirements set out in the ESEF Regulation that are applicable to [consolidated] financial statements."

⁹ https://ec.europa.eu/info/files/211109-ceaob-esef-guidelines-auditors_en



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For the Company [the Group] it relates to (select applicable bullets):

- *[Consolidated] financial statements prepared in a valid XHTML format;*
- *The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation*

In our opinion, the [consolidated] financial statements of ABC as at [date] have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation."

The approved statutory auditor may decide to mention the name of the ESEF file on which he completed his procedures in the opinion. The final sentence may thus read "...the [consolidated] financial statements of ABC as at [date], identified as [name of digital file], have been prepared ..."

In case there are material misstatements or non-compliance with the ESEF regulation, or in case the approved statutory auditor is unable to conclude on the compliance of the presentation of the financial statements with ESEF requirements, the approved statutory auditor will need to draw appropriate consequences on its audit report as described in paragraph 13 of the guidelines included in Annexe 3 of CSSF regulation 22/01. This Luxembourg guideline is aligned with paragraph 15 of the CEAOB guidelines¹⁰. In such a case, the auditor may modify the section "Report on Other Legal and Regulatory Requirements", and may not need to modify the overall conclusion of the audit report.

Q12. Is it necessary to include specific arrangements in relation to ESEF in the Engagement Letter ?

Guideline 15 in Annexe 3 of CSSF regulation 22/01 expects that ESEF be covered in the engagement letter. This Luxembourg guideline is aligned with §19 of the CEAOB guidelines.

The following paragraphs should be included:

Scope of the audit

(...)

[We shall assess whether the [consolidated] financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation") as amended.]

(...)

5. Audit report

(...)

[We shall also state whether the [consolidated] financial statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF regulation.]

(...)

¹⁰ https://ec.europa.eu/info/files/211109-ceaob-esef-guidelines-auditors_en



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Q13. Is it necessary to include specific provisions in relation to ESEF in the Representation Letter ?

Guideline 18 in Annexe 3 of CSSF regulation 22/01 expects that ESEF be covered in the representation letter. This Luxembourg guideline is aligned with §22 of the CEAOB guidelines.

The approved statutory auditor should obtain specific representation from Management/Board of Directors/Those charged with Governance that the (consolidated) financial statements have been prepared in compliance with the requirements laid down in the ESEF regulation.

Please also refer to Q14 relating to the considerations on authentication of the audited version of the ESEF annual report.

Q14. Is it necessary to use a software to audit the financial statements in ESEF?

It is recommended that the approved statutory auditor verify the readability of the ESEF files by using another tool than the one used by the entity for the preparation of the financial statements in ESEF.

Such tool can be used to check the ESEF file for technical validity, or to help the auditor extract the information embedded within tags and perform its procedures related to marking up. This use of another tool is in all cases a good practice, even if not specifically required by rules or regulation.

Q15. How can the approved statutory auditor authenticate the audited version on the ESEF accounts?

ESEF compliant annual reports cannot be signed physically, because a paper version would not comply with technical requirements of the ESMA ESEF Reporting Manual. There are also currently no technical provisions that would allow for a digital signature recognised by all stakeholders.

The approved statutory auditor could authenticate the audited version by calculating a hash value (i.e. a unique string of characters which ensures the data integrity of the audited ESEF accounts), and obtains representation from management that only the file audited will be circulated.



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d) Other considerations

Q16. How do ESEF compliant financials look like?

The Global Legal Entity Identifier Foundation has published its annual report which is ESEF compliant and can be found at the following URL: [GLEIF Foundation annual report](#)

The screenshot displays the 'Fact Properties' interface for the concept '(ifrs-full) Licence fee income'. The interface includes a search bar, navigation arrows, and a list of dimensions. The 'Date' is '1 Jan 2019 to 31 Dec 2019', the 'Fact Value' is 'US \$ 14,516,715', the 'Accuracy' is '0 (ones)', and the 'Change' is '17.3% decrease on 1 Jan 2018 to 31 Dec 2018'. The 'Entity' is '[LEI] 506700GE1G29325QX363' and the 'Concept' is 'ifrs-full.LicenceFeeIncome'. Below the dimensions, there is a 'References' section with a table for 'IAS'.

| Name | IAS |
|--------------|---|
| Number | 1 |
| IssueDate | 2019-01-01 |
| Paragraph | 112 |
| Subparagraph | c |
| URI | http://eifrs.ifrs.org/eifrs/xifrs-link?type=IAS&num=1&code=ifrs-tx-2019-en-r&anchor=para_112_c&doctype=St... |
| URIDate | 2019-03-27 |

ESEF compliant annual report needs to comply with the rules laid down in the [ESMA ESEF Reporting Manual](#)

In practice an ESEF compliant file can take two forms:

- For entities NOT in scope of the tagging requirement: an ESEF-compliant report will be a single file, with either an ".xhtml" or ".html" file extension and not packaged into zip files;
- For entities in scope of the tagging requirement, an ESEF compliant report will be a .zip file, structured according to section 2.6 of the ESMA ESEF Reporting Manual.



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The example below shows the file structure for a [taxonomy package](#) containing a report (`myreport.html`) and a taxonomy.

```
SampleTaxonomyPackage-v1.0/  
  META-INF/  
    taxonomyPackage.xml  
    catalog.xml  
  xbrl.example.com/  
    v1/  
      taxonomy.xsd  
      taxonomy-linkbase.xml  
  reports/  
    myreport.html
```

Source: <http://www.xbrl.org/WGN/report-packages/WGN-2018-08-14/report-packages-WGN-2018-08-14.html>

Q17. Are issuers allowed to disclose/prepare additional versions of the annual financial report that are not ESEF compliant?

Article 4 of the EU Transparency Directive requires issuers to disclose annual financial reports prepared in accordance with the ESEF Regulation. Since ESEF Regulation became applicable, only the disclosure of ESEF-compliant annual financial reports together with the audit report on the financial statements included in the annual financial reports enables the issuers to fulfil their disclosure obligations under the EU Transparency Directive. Disclosing (for instance on the issuers' website) additional non-ESEF compliant versions of the annual financial report that is not ESEF-compliant and/or that includes non-audited ESEF-compliant financial statements is not prohibited by Union law but is not enough to comply with the EU Transparency Directive.

In case the entity wants to make available another version of its annual financial report in addition to the ESEF version, it is recommended to discuss with the issuer to include a sentence in the annual financial report indicating that the official version of the accounts is the ESEF version available with the Officially Appointed Mechanism (OAM) tool. It is also recommended that the reference to the OAM and ESEF version is included in the standalone accounts when indicating the reference to the consolidated accounts.

Q18. Will the Luxembourg Business Registers ("LBR") accept ESEF filing for listed companies?

In absence of any formal communication by LBR, the PDF/A remains the applicable format. The approved statutory auditor should refer to [Filing of financial data with the RCS and publication of the RESA annual accounts](#) document.

As such there could be two versions existing, one for the filing to the OAM (xHTML or .zip) and one for filing to the RCS (PDF/A). It is considered that, given the pre-eminence of a European Directive versus a Grand-Ducal Decree ("*Règlement Grand-Ducal*") the statutory accounts are the ones prepared in accordance with ESEF.

In case the company prepares eCDF compliant annual accounts (in conjunction or subsequent to the ESEF compliant accounts), the approved statutory auditor should setup a policy to determine whether work should be performed on the eCDF accounts.

Q19. Do the human-readable and the machine-readable version of ESEF constitute two different versions of the ESEF file?

No. The XHTML file that contains the annual financial reports will always be human-readable and, when marked-up with iXBRL, machine-readable as well.

In practice, ESMA has recognised that there are current limitations in the technical construction and transformation mechanics of block tags. As a result of these limitations, it may be that information visible in the human-readable layer of the report is not rendered with the exact same structure in the machine-readable layer.

This is in particular the case for tables, that currently pose specific technical difficulties. There is a risk that certain software used to generate the machine-readable layer of the ESEF report may sometime produce information where not all structure is preserved (e.g. no space between content included in two different columns).

In such a case, ESMA expects that the extracted information:

- should be human understandable, with words and numbers in the same order and at least, retaining some spaces (i.e. semantic structure);
- should resemble the original set of information but does not necessarily maintain the same style;
- does not alter the sense or meaning of the original information.

In case there are material misstatements or non-compliance with the ESEF regulation linked to such limitation, the statutory auditor will need to draw appropriate consequences as described in question 11 "What is the impact on the audit opinion?"

Q20. Are eCDF forms compatible with XHTML format per Commission Delegated Regulation (EU) 2019/815?

eCDF forms and XHTML are not compatible from a technical perspective. However, it is possible to insert the balance sheet and income statement in eCDF form as a graphic / image in the XHTML document. The [ESMA ESEF Reporting Manual](#) contains guidance regarding the inclusion of content other than XHTML in a stand-alone XHTML file¹¹.

Q21. Should the auditor's report be included as part of the ESEF-compliant annual financial report or in a separate document disclosed together with the ESEF-compliant annual financial report?

Neither Luxembourg law nor existing Union law specify whether the audit report should be included in the annual financial report or disclosed together with the annual financial report as a separate document. Under Article 4(4) of the EU Transparency Directive, the audit report "*shall be disclosed in full to the public together with the annual financial report*".

In the absence of specific rules in force at national/regulated market level and taking into consideration the technical possibilities on a case-by-case basis, issuers may apply their preferred option¹².

¹¹ Refer to Guidance 4.1.3 of ESMA ESEF Reporting Manual.

¹² [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020XC1110\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020XC1110(01)&from=EN)



FAQ2023-02 FREQUENTLY ASKED QUESTIONS (as adopted by IRE Council on March 23, 2023)

Q22. What are the requirements in case of multiple jurisdiction?

It is considered that the law/regulation of the home member state prevails.

4. USEFUL LINKS

(Ctrl+Click to follow the link):

[EU Transparency Directive \(2004/109/EC\)](#)

[EU Commission Delegated Regulation on ESEF \(EU\) 2019/815](#)

[EU Commission FAQ on ESEF](#)

[EU Commission Interpretative Communication - 2020/C 379/01](#)

[ESMA European Single Electronic Format homepage](#)

[ESMA ESEF Reporting Manual](#)

[2021 ESEF Taxonomy](#)

[2022 ESEF Taxonomy](#)

[ESEF Field test](#)

[ESMA Final Report on the RTS on the European Single Electronic Format](#)

[Accountancy Europe's Collected Guidance](#)

[IFRS Taxonomy](#)

End