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The European single electronic format (ESEF) in consolidated financial statements

In early 2019 we wrote that all listed companies would have to file consolidated statements in ESEF from the financial year 2020 onwards. The rollout of this format was postponed, however, and it applies starting from the financial statements for 2021.

When applying ESEF, companies file their financial statements in XHTML using the eXtensible Business Reporting Language (XBRL), which makes them machine-readable.

ESEF was phased in gradually, with a limited amount of information being tagged in the consolidated statements for 2021 (the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the statement of cash flows), while the financial statements for 2022 involved applying the electronic format in full. Tagging financial statements is based on the taxonomy of International Financial Reporting Standards (IFRS), which indicates mandatory and voluntary tags. The taxonomy is essentially like a catalogue from which you can choose a description that best fits the information disclosed in your financial statements, including a reference to IFRS.

Preparing financial statements in ESEF offers more opportunities for financial analysis because the information is available in a machine-readable format and using relevant tags makes it comparable between different European companies.

The role of ESEF in sustainability reporting

The growing significance of sustainability reporting across the EU is driven by the Corporate Sustainability Reporting Directive (CSRD). It aims to improve the sustainability reporting rules, to enhance the quality of sustainability information, to meet the needs of various stakeholders, and to help Europe transition to a more sustainable economy. You can read more about the CSRD [here](#).

One of the CSRD requirements is that sustainability reports should be prepared in an electronic format to make sustainability details available in a machine-readable and human-readable format. The CSRD states that a digital taxonomy is needed to allow the information to be tagged according to the European sustainability reporting standards (ESRS).

The European Financial Reporting Advisory Group (EFRAG) is currently working on the development of this digital XBRL taxonomy of sustainability information. According to EFRAG's timetable, the ESRS XBRL taxonomy is coming up for debate in the first quarter of 2024, and EFRAG will present its final version to the European Commission in the second half of 2024. You can read a draft list of data points published by EFRAG and see how the tagging of sustainability details could take place.

Applying ESEF to sustainability reports accurately will make the sustainability information easy to analyse,

as well as allowing quick and easy comparisons between sustainability details of different European companies.

It's important to consider lessons learned in applying ESEF to financial statements. Companies can apply the format and do the tagging on their own after buying a dedicated tool, or they can assign this task to external service providers. In either case, you need to set aside extra time and resources to prepare your sustainability report and check it after tagging.

The European single access point (ESAP)

According to a press release published by the EU Council on 27 November 2023, the EU intends to set up a single access point for public financial and sustainability information on EU companies and EU investment products. ESAP does not place any additional information reporting requirements on European companies.

ESAP will offer the user free, convenient, centralised and digital access to financial and sustainability information published by European companies. This will facilitate the decision-making process for a wide range of investors. It's expected that the ESAP platform will be available from the summer 2027 and will be phased in to secure a smooth implementation process.

While creating ESAP will make it easy to access and compare European companies' financial and non-financial details, each company will be responsible for providing accurate and relevant digital information.