

NAVIGATING ANNUAL FINANCIAL REPORTING IN EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF): A GUIDE FOR EU-LISTED COMPANIES

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Abstract

Electronic reporting in the European Single Electronic Format² (ESEF) refers to the standardized format used by listed issuers within the European Union to prepare and submit their annual financial reports. This format was introduced by the European Securities and Markets Authority³ (ESMA) in line with the European Union Transparency Directive (TD) and is designed to facilitate the digitalization of financial reporting for publicly listed companies.

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JEL Classification: M40, M41, M42, M48, M49

1. Introduction

In 2013 the Transparency Directive (Directive 2004/109/EC), which sets rules on harmonisation of transparency requirements of issuers, was amended to include, amongst others, a requirement for issuers to prepare their annual financial reports (AFRs) in a single electronic reporting format (ESEF).

ESMA was assigned the responsibility to develop regulatory technical standards (RTS) to specify this electronic reporting format. The detailed provisions of the ESEF and the underlying policy choices are contained in the original Final Report on the RTS on ESEF. ESMA yearly amends the RTS on ESEF (latest Final Report on the RTS on ESEF) to

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² Electronic Reporting - Digitalisation enhances the accessibility, analysis, and comparability of annual financial reports. The European Single Electronic Format (ESEF) is the mandated electronic reporting format for issuers with securities traded on EU regulated markets. ESMA develops the regulatory technical standards (RTS) that define this format, along with providing guidance and implementing tools.

³ The European Securities and Markets Authority (ESMA) is a key regulatory body in the European Union, and its mission is focused on enhancing the stability, integrity, and efficiency of financial markets in Europe. ESMA is part of the broader European System of Financial Supervision (ESFS), which includes the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). Together, these institutions aim to ensure the stability and safety of the financial system in the EU.

incorporate the necessary updates on the ESEF taxonomy and developments in the market. The European Single Electronic Format (ESEF) is an XML-based format that enables listed companies to prepare their financial reports in a standardized, machine-readable format. The purpose of ESEF is to improve transparency, accessibility, and comparability of financial information across the European Union. It aims to make it easier for regulators, investors, and analysts to access and analyze corporate financial information across different jurisdictions.

The Format of the ESEF is based on Inline XBRL (iXBRL), which combines human-readable HTML with machine-readable XBRL tags, allowing both easy viewing and data extraction for further analysis.

An annual financial report for a listed issuer typically consists of several key components that provide a comprehensive overview of the company's financial performance and position for the year. These reports are essential for investors, regulators, analysts, and other stakeholders to assess the company's financial health, its compliance with accounting standards, and its future prospects. For a listed issuer in the European Union, the annual financial report is required to be prepared according to International Financial Reporting Standards (IFRS), and it must comply with the ESEF (European Single Electronic Format) regulation for submission and accessibility.

2. Content of annual financial report for a listed issuer

2.1 Management Report

The management report is a narrative section that provides context to the company's financial results and operations. It includes insights from the management team on the company's performance, strategy, and outlook.

Key components of the management report:

- **Business Review:** Overview of the company's business activities during the year. Key highlights of the company's operations, including significant events (acquisitions, divestitures, new product launches, etc.). Market overview and performance relative to industry peers.
- **Financial Performance:** An explanation of the financial results presented in the financial statements (e.g., revenue, profit, etc.). Key financial ratios or metrics used by management to assess company performance.
- **Risk Management:** A description of the company's risk profile, including both financial and non-financial risks (market risk, credit risk, liquidity risk, operational risk, etc.). Details on how the company manages and mitigates these risks.
- **Corporate Governance:** Overview of the company's governance framework, including the structure of the Board of Directors, committees, and executive management. Compliance with governance codes and regulations.

- **Sustainability and ESG (Environmental, Social, Governance) Reporting:** For companies focusing on sustainability, a section dedicated to ESG performance and initiatives might be included.
- **Future Outlook:** Management's perspective on the company's future performance, including strategic goals, expected market conditions, and potential challenges.

2.2 Financial Statements

The financial statements provide a detailed account of the company's financial performance and position over the reporting period. These must be prepared according to IFRS standards.

Key components of the financial statements are:

- **Balance Sheet (Statement of Financial Position):** Assets: What the company owns (e.g., cash, receivables, inventory, property, plant, and equipment); Liabilities: What the company owes (e.g., loans, payables, long-term debt); Equity: The shareholders' stake in the company, including share capital, retained earnings, and other reserves.
- **Income Statement (Statement of Performance):** Revenue: The total income from sales of goods or services. Cost of Goods Sold (COGS): The direct costs associated with producing goods or services. Operating Expenses: Administrative, marketing, and other operational costs. Net Income or Loss: The company's profit or loss after accounting for all revenues and expenses.
- **Statement of Cash Flows:** Provides information about the company's cash inflows and outflows during the reporting period, classified into: Operating Activities: Cash generated or used in the day-to-day business operations. Investing Activities: Cash used for purchasing or selling long-term assets like property or investments. Financing Activities: Cash flows from issuing or repaying debt or equity.
- **Statement of Changes in Equity:** Shows how the company's equity has changed over the reporting period due to factors like profits, dividends, share issuance, or repurchase of shares.
- **Notes to the Financial Statements:** Detailed explanations of the numbers in the financial statements, such as accounting policies, assumptions, and breakdowns of specific line items (e.g., details of debt or pension liabilities). Information on related-party transactions, contingencies, and legal matters. Any adjustments made during the period that affect the financial statements.

2.3 Auditor's Report

The auditor's report provides an independent evaluation of the company's financial statements. It is issued by a third-party external auditor and provides an opinion on whether the financial statements: Present a true and fair view of the company's financial position

and performance. Comply with applicable accounting standards (e.g., IFRS). Are free from material misstatements or fraud.

Types of opinions an auditor can issue:

- Unqualified Opinion (Clean): The financial statements are free from material misstatements.
- Qualified Opinion: There are issues with the financial statements, but they are not material enough to affect the overall opinion.
- Adverse Opinion: The financial statements are materially misstated and do not present a true and fair view.
- Disclaimer of Opinion: The auditor could not obtain sufficient evidence to form an opinion.

2.4 Corporate Governance Report

This section outlines the company's approach to corporate governance, including its adherence to best practices and applicable governance codes (e.g., UK Corporate Governance Code, German Corporate Governance Code). Key items in the corporate governance report may include:

Structure and composition of the Board of Directors and any committees (audit, remuneration, nomination, etc.). Independence of directors. Diversity and board member qualifications. Executive compensation and incentive structures. Shareholder rights and how they are safeguarded. The company's compliance with governance codes and explanations of any deviations.

2.5 Directors' Report / Board of Directors' Statement

The Directors' Report (or Board of Directors' Statement) typically provides additional information beyond the financial statements, offering insight into the management's strategy, performance, and significant changes or events during the year. It includes: A summary of business operations. Information on the market environment and key risks the company faces. Key performance indicators (KPIs).

Details about any significant changes in the company, including acquisitions, mergers, or restructurings.

2.6 Shareholder Information

This section provides important information to shareholders, including:

Dividend policy and any dividends declared for the year. Share capital structure, including the total number of shares and any changes. Ownership structure, if relevant, including major shareholders or changes in control. Annual General Meeting (AGM) details, including date, time, and agenda. Corporate social responsibility (CSR) activities, if applicable.

2.7 Other Regulatory Disclosures

Depending on the company's jurisdiction and industry, other regulatory disclosures may be required. These could include: Related party transactions. Contingent liabilities. Environmental, Social, and Governance (ESG) disclosures, especially for companies that are focused on sustainability. Compliance with local or international regulations. Tax-related disclosures, including tax positions and any ongoing audits or disputes.

2.8 Supplementary Financial Information

Interim Financial Reports: Some listed companies may provide an interim financial report for the first half of the financial year, which includes condensed financial statements and a management discussion. Key Metrics and Ratios: Common metrics such as earnings per share (EPS), return on equity (ROE), and debt-to-equity ratio might also be disclosed to help investors assess the company's financial health.

3. ESEF Filing Requirements

For a listed issuer in the EU (Table 1 presents the number of issuers in EU Countries (EU27) – 6.930 issuers admitted to trading on a regulated), the annual financial report must be filed in ESEF format (using iXBRL for tagging), which includes: Tagging the primary financial statements (balance sheet, income statement, etc.) and notes to the financial statements with XBRL tags. Ensuring the management report is filed in compliance with the ESEF taxonomy⁴. Submitting the report electronically through the relevant National Competent Authority⁵ (NCA) and ensuring it is publicly accessible.

Based on IFRS: The ESEF format is designed to work with financial statements prepared according to International Financial Reporting Standards (IFRS), which is the mandatory accounting framework for companies listed on EU regulated markets.

XBRL Tagging: A key aspect of ESEF reporting is the XBRL tagging of key financial data points. These tags correspond to specific concepts in the ESEF taxonomy, which is based on the IFRS taxonomy but includes additional elements specific to the ESEF requirements.

Annual Financial Reports: ESEF applies to annual financial reports (consolidated financial statements) and includes both the financial statements and the management report. Companies must tag their financial data, such as the balance sheet, income statement, and cash flow statement, as well as their notes to the financial statements.

Filing Requirement for Listed Companies: All EU-listed companies (approximate 7000 those listed on regulated markets. Number of issuers per country is presented below based on the esma reports as at June 2025) are required to prepare their annual financial reports in ESEF format, starting from the fiscal year 2020. This requirement ensures that all public

⁴ The ESEF (European Single Electronic Format) taxonomy is a standardized, digital dictionary based on the IFRS Taxonomy, mandated by ESMA for EU-listed companies to tag annual financial reports.

⁵ In Romania, for example, the National Competent Authority (NCA) is Autoritatea de Supraveghere Financiară (<https://www.asfromania.ro/>).

companies within the EU adhere to the same standard when submitting their financial information.

Country	Issuers no
Austria	104
Belgium	156
Bulgaria	299
Cyprus	61
Czechia	110
Germany	553
Denmark	195
Estonia	35
Greece	143
Spain	188
Finland	174
France	595
Croatia	82
Hungary	59
Ireland	1241
Sweden	2
Italy	293
Lithuania	34
Luxembourg	877
Latvia	19
Malta	92
Netherlands	303
Poland	479
Portugal	57
Romania	101
Slovenia	588
Slovakia	90
TOTAL	6930

Table 1 – Number of issuers in EU Countries (EU27)

Public Accessibility: Once submitted, these reports are publicly available on the public register maintained by the relevant National Competent Authority (NCA). This enhances transparency, as anyone can access and analyze the data in machine-readable format.

The ESEF report generally consists of:

- Primary financial statements.
- Notes to the financial statements: These notes must also be tagged with appropriate XBRL tags, providing further context for the financial data.
- Management Report: This section must also be prepared and submitted in the iXBRL format, though some flexibility exists depending on the jurisdiction.
- Tagging of Key Financial Metrics: Key data points in the financial statements, such as total assets, net income, or revenue, must be tagged with specific XBRL tags to provide clarity on what each figure represents.

The ESEF taxonomy is a collection of standardized tags that map to the IFRS taxonomy and provide definitions for financial concepts used in the reports.

XBRL Tags: The taxonomy includes predefined tags for common financial data points such as revenue, net income, and total assets. Companies use these tags when preparing their financial reports.

ESEF-Specific Extensions: While the ESEF taxonomy is largely based on IFRS, it also includes specific extensions that are required for the ESEF format, such as tags for the management report and other disclosures.

4. ESEF Compliance Timeline

4.1 Who Needs to Comply with ESEF?

- Listed Companies: All companies listed on EU-regulated markets are required to submit their annual consolidated financial reports in ESEF format.

- IFRS Preparers: The format is specifically intended for companies that prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), which is required for most companies listed in the EU.

The ESEF reporting requirement applies to financial statements for fiscal years starting on or after January 1, 2020.

The first submissions in iXBRL format were due in 2021, based on the 2020 financial year, but companies with earlier financial years (e.g., those following a calendar year) had deadlines in 2021 or early 2022.

Companies must submit their ESEF-compliant financial reports no later than four months after the end of the financial year (typically by April 30 for companies with a December 31 year-end).

4.2 How to Submit ESEF Reports?

National Competent Authorities (NCAs): Companies must submit their ESEF reports to the national regulator (e.g., ASF in Romania, AMF in France, or BaFin in Germany).

Public Access: Once submitted and accepted by the NCA, the reports are publicly available for investors, analysts, and other stakeholders to access through the regulator's public register.

5. Tools for ESEF Reporting

To prepare, tag, and submit reports in ESEF format, companies generally rely on specialized software tools, including: XBRL Tagging Tools (e.g., CoreFiling, Workiva, IRIS Carbon, XBRLCloud)

Validation Tools to ensure the reports meet ESEF technical specifications (e.g., ESMA's ESEF Filing Validation Tool).

These tools automate the process of tagging and ensure compliance with ESEF requirements. They also help ensure that the report is correctly structured and free of errors before submission.

Once submitted, the report is available on the public register maintained by the local competent authority. This is an open-access register, and stakeholders can download the reports in iXBRL format to analyze the data.

The RTS on ESEF specifies that all issuers subject to the requirements contained in the Transparency Directive to make public Annual Financial Reports shall prepare annual financial reports in the Extensible Hypertext Markup Language (XHTML) format. Where the issuer prepares IFRS consolidated financial statements, it shall mark up these IFRS consolidated financial statements using the XBRL markup language. The mark ups shall be

embedded in the XHTML document version of the annual financial report using the Inline XBRL format.

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, has today published the 2024 European Single Electronic Format (ESEF) XBRL taxonomy files and an update to the ESEF Conformance Suite to facilitate the implementation of the ESEF Regulation.

ESMA aims to support the implementation of the ESEF by providing XBRL taxonomy files and Conformance Suite test files that align with the requirements of the 2024 draft update to the ESEF Regulation and the 2024 update to the ESEF Reporting Manual.

Today's publication intends to assist software vendors and issuers in preparing the 2024 IFRS consolidated financial statements using the most updated version of the ESEF format. It will also facilitate EU issuers listed on US capital markets (known as 'Foreign Private Issuers') in meeting their reporting obligations with the US Securities and Exchange Commission (SEC). Nevertheless, the 2024 ESEF taxonomy files and the updated Conformance Suite will only discharge issuers from their EU ESEF obligations for their annual financial reports concerning financial years beginning on or after 1 January 2024 after the entry into force of the 2024 update to the ESEF Regulation.

Issuers may alternatively use the 2022 ESEF taxonomy files and conformance suite published by ESMA in December 2022, for annual financial reports concerning financial years beginning on or after 1 January 2024.

The 2024 draft update to the ESEF Regulation was submitted by ESMA in May 2024, adopted by the European Commission on 27 September 2024 and cleared the scrutiny of the European Parliament and Council on 27 December 2022 without objection.

In 2023, ESMA decided to postpone to 2024 the amendment of the ESEF RTS to reflect the limited changes of the 2023 update of the IFRS taxonomy and focus on monitoring the implementation of the ESEF requirements and how to improve the electronic reporting process. The 2024 ESEF taxonomy incorporates the latest updates to the International Financial Reporting Standards (IFRS) taxonomy from 2023 and 2024, developed annually by the IFRS Foundation. The IFRS Foundation also publishes a versioning document detailing changes from previous taxonomies. The ESEF taxonomy package includes labels in all EU languages.

Under the ESEF Regulation, all issuers with securities listed on an EU regulated market must prepare their annual financial reports in XHTML and mark-up the IFRS consolidated financial statements using XBRL tags and iXBRL technology.

The 2024 update to the ESEF regulation will take effect on the twentieth day following its publication in the European Official Journal, which is expected by mid-January 2025.

Digitalisation enhances the accessibility, analysis, and comparability of annual financial reports. The European Single Electronic Format (ESEF) is the mandated electronic reporting format for issuers with securities traded on EU regulated markets. ESMA develops the regulatory technical standards (RTS) that define this format, along with providing guidance and implementing tools. ESEF background

6. Enforcement Process by the National Competent Authorities (NCAs)

Once the reports are filed, the National Competent Authorities (NCAs) are responsible for ensuring that the submitted reports comply with the ESEF regulations. This is part of the broader enforcement process under ESMA's guidelines.

6.1. NCA Review

The NCAs review the ESEF filings to check for:

- **Compliance** with technical standards (correct XBRL tagging, proper formatting, etc.);
- **Accuracy** of financial data (whether the figures in the report are properly disclosed and consistent with other filings);
- **Timeliness** of filing (whether the company met the submission deadline).

6.2. Random Checks and Spot Inspections

NCAs may conduct random checks and spot inspections to verify the accuracy and completeness of the filings. They will also ensure that the company has used the appropriate XBRL tags from the ESEF taxonomy.

6.3. Possible Sanctions for Non-compliance

If a company does not comply with the ESEF requirements, the NCA may take various actions:

- **Requests for correction:** If errors are found, the company may be asked to correct and resubmit the report.
- **Fines:** Non-compliance with the filing format, such as failure to submit the iXBRL report or significant errors in tagging, can lead to penalties.
- **Public warnings:** In more serious cases, NCAs may issue public warnings about non-compliant filings.
- **Market scrutiny:** Regulators may also flag the company for further market scrutiny, which can affect investor confidence.

6.4. Follow-up Enforcement

NCAs can monitor whether the company addresses the issues raised during the review process. If the company fails to comply with correction requests, further penalties or sanctions may be applied.

7. Conclusions

Preparing financial statements using IFRS/ESEF taxonomy when tagging financial statements' items can be an advantage in theory, but in business practice these advantages are challenges for many companies. Implementation will be successful only if preparers and users, benefit from such form of reporting. There is a crucial role of regulators, standard-setters, professional accounting institutions, academics, and researchers to inform and educate preparers by developing best practice examples, case-studies, simple user guides, and thus wider application, especially in the most represented group of the economy, which are small and medium-sized enterprises. As the time of mandatory application of the ESEF taxonomy in the EU is just ahead of us, it remains to be seen to what extent iXBRL adoption will affect the financial performance of the EU enterprises and in particular whether the perceived long-term benefits will outweigh possible short-term difficulties.

Summary of ESEF

- Determine applicability under EU rules.
- Prepare annual reports in XHTML format.
- Tag IFRS consolidated statements with iXBRL.
- Use current ESEF/IFRS taxonomy.
- Audit and review tagging quality.
- Submit to OAM by the statutory deadline

Benefits of ESEF

- **Improved Transparency:** By making financial reports available in a standardized, machine-readable format, ESEF improves the transparency of financial data across the EU.
- **Better Comparability:** Investors, analysts, and regulators can more easily compare financial data across companies, even if those companies are from different EU countries.
- **Greater Efficiency:** The use of a standardized format reduces the need for manual data entry and minimizes errors in the reporting process. It also facilitates faster data extraction and analysis.
- **Investor Confidence:** ESEF makes it easier for investors to access accurate and timely financial information, which can boost investor confidence in the financial markets.

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Updated 2025 IFRS taxonomy introduced into the European Single Electronic Format

<https://www.esma.europa.eu/press-news/esma-news/updated-2025-ifrs-taxonomy-introduced-european-single-electronic-format>