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AUDIT 01/22

MIA EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF) GUIDANCE FOR AUDITORS

Objective

The European Single Electronic Format (ESEF) is the new single electronic reporting format for the preparation of annual financial reports to be published by Issuers whose securities are admitted to trading on a regulated market in the European Union for financial years beginning on or after 1 January 2021 and fall within the mandatory scope of reporting in accordance with the requirements of the ESEF Regulatory Technical Standard (“ESEF RTS”) from 2022 onwards. This is a significant step forward for the accessibility and comparability of the financial information of the Issuers on EU regulated markets.

This document has been prepared by the Malta Institute of Accountants together with the Accountancy Board, as guidance for warranted auditors in Malta who are engaged to act as statutory auditors by Maltese companies which are listed on EU regulated markets.

This guidance aims to ensure consistency in the implementation of the assurance over ESEF related provisions in Malta. This MIA guidance does not constitute an assurance standard but makes reference to Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive’ (“ESEF Directive 6”)¹. It presents high-level aspects which are relevant for the auditor’s work on ESEF related issues.

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¹Directive No. 6 which the Accountancy Board as the local standard setter together with the MIA have worked on and which will serve as the local assurance standard for ESEF purposes.

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What is ESEF?

ESEF is the new single electronic reporting format for the preparation of annual financial reports to be published by Issuers whose securities are admitted to trading on a regulated market in the European Union, for financial years beginning on or after 1 January 2021.

ESEF is being introduced pursuant to Article 4(7) of the Transparency Directive to reflect the will of the European Parliament and the Council, to establish a single structured electronic format for EU annual financial reports. The Transparency Directive assigned the European Securities and Markets Authority ("ESMA") the responsibility of developing regulatory technical standards ("RTS") for this single electronic reporting format.

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 eXtensible Business Reporting Language (iXBRL) specifications. This will, in turn, enhance the transparency of EU capital markets.

²RTS dated 29th May, 2019 issued within the Official Journal of the European Union (EU)

Companies that are required to prepare their annual financial reports in ESEF

- Those entities within the scope of the Transparency Directive – regardless of whether their registered office is in the EU or in a third country – with securities (including both shares and bonds) listed on an EU regulated market will have to prepare their annual financial reports in eXtensible HyperText Mark-up (XHTML);
- Furthermore, the entities referred to above that also prepare International Financial Reporting Standards (IFRS) consolidated financial statements will insert tags to the line items of the primary statements and block tags to the disclosure notes related to those financial statements. The mapping/tagging of the financial statement line items should be one that has the closest accounting meaning to the elements of the ESEF taxonomy, which is primarily based on the IFRS Taxonomy that correspond to the EU-endorsed IFRS. The tagging of financial statements is explained further within the dedicated section below.

ESEF from a Technology Perspective

ESEF provides for one single file that will include the financial statements together with any other information, mainly that is required by Capital Markets Rule 5.55 and the responsibility statements of the persons responsible within the company. This file will be human-readable, just like a normal webpage. In technical terms, as defined in the ESEF RTS, annual financial reports drawn up in the ESEF must be prepared using an XHTML format. This language allows an HTML file to be combined with tagged data against a taxonomy and such tags (also referred to as XML tags) can then be read, analysed and used by dedicated computer programs.

To this effect, as an additional obligation, companies who prepare consolidated financial statements, on the basis of IFRS, are also required to tag their primary statements and disclosure in their financial statements in accordance with the IFRS Taxonomy using inline specifications (iXBRL). Ultimately, this will make the financial statements machine-readable.

HTML and XBRL defined

A document that complies with the **HTML** standard may be opened, viewed and printed with standard Web browsers (such as Internet Explorer, Microsoft Edge and Google Chrome). HTML is the standard format being used to deliver all Internet webpages to users. In practice, there's no difference between viewing an electronic document that is in PDF or HTML format; it is only the respective software through which one can read the PDF or HTML documents that is different. Furthermore, whereas to read a PDF document specific software needs to be installed, an HTML document can be accessed through any browser.

XBRL is specifically used for the presentation of financial data. The XBRL standard uses tags (based on taxonomies) developed by accounting standard-setting bodies (such as IASB for IFRS) to tag financial information that can be used by dedicated programmes. Unlike data transcribed in HTML or PDF format, data in XBRL format can be extracted and used by a computer program without losing the contextual structure of the information (like the specific line-item description; its date, period, currency and unit; and the reference to the respective accounting standard). Tagged references can be interpreted by software programs to read expected IFRS disclosures that can then be used for further reporting, analysis or processing.

XHTML and iXBRL defined

As noted earlier, an **XHTML** document is a file that combines the functionalities of an HTML file with XML tags. Here, a further technology comes into play: the iXBRL.

iXBRL is key for the success of ESEF, whose one of the objectives is to achieve transparency and comparability through a single way of reporting. An iXBRL file in fact, allows a single document to include both human-readable data and machine-readable data, as it combines the functionalities of an XHTML file with the specificities of XBRL. ESMA has also issued a Reporting Manual³ for iXBRL reporting, which is intended to ensure consistency of the ESEF requirements.

Relevant Timelines

The ESEF mandatory roll-out has two stages:

- **For financial years beginning on or after 1 January 2021**, companies whose securities are listed on an EU regulated market must prepare their annual financial report in XHTML format. Furthermore, listed entities that also prepare consolidated financial statements in accordance with IFRS, will also have to tag their primary IFRS financial statements (i.e. statement of financial position, income statement/statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows) using the ESEF taxonomy.
- **For financial years beginning on or after 1 January 2022**, those listed entities that prepare consolidated financial statements in accordance with IFRS, will also tag the disclosure notes to the financial statements. However, for the notes to the financial statements, Issuers are only obliged to use block tagging rather than detailed tagging. Nevertheless, Issuers may also voluntarily apply full or partial detailed tagging to the notes of the financial statements.

The tagging of Financial Statements

iXBRL tagging is the “augmented” aspect of the digitalisation of financial statements. It involves attaching a tag to each item in the financial statements and which then allows a machine to identify that tag as being the intended financial statement line item and/or explanatory note. Poor tagging (whether deliberate or otherwise) may lead to errors in a user’s interpretation of the financial statements. Thus, for example, an operational expense or a current liability tagged (deliberately or accidentally) as a non-operational expense or as a non-current liability respectively, could lead to a skewed interpretation of the company's performance or its financial situation.

Tagging (unlike producing PDF or HTML files) requires the Issuer to exercise judgement in selecting the appropriate taxonomy item with the closest accounting meaning to its intended financial statement line item and/or explanatory note. Further judgement is demanded in cases where the taxonomy item does not exist, or it does not correspond to the intended closest accounting meaning. In such cases the Issuer is to develop a “customised” tag, known as an **extension**.

Understandably, such extensions will sometimes be necessary, and in order to maintain the comparability of the data between different Issuers, the ESEF RTS requires that these extensions are **anchored**. The term ‘anchoring’ refers to the process of attaching/linking an extension tag to the item in the IFRS taxonomy that has the closest wider meaning

in accounting terms. Furthermore, where an extension element combines a number of core taxonomy elements, an Issuer is also required to anchor that extension to each of those core taxonomy elements. This is the concept of anchoring, which will help users and analysts to benchmark data to the main taxonomy as required.

Key tutorials on the definition, purpose and the way that an Issuer should tag its financial statement line items and explanatory notes can be found in the links below. Such tutorials also make reference to an Anchoring decision tree (which is easy to understand) that will help to work out and find the appropriate anchors in the taxonomy for extension tags, reduces errors and improves comparability for users of the data.

<https://www.mfsa.mt/wp-content/uploads/2019/03/ESEF-Tut-2.pdf>

http://www.xbrleurope.org/?page_id=1247

<https://www.xbrl.org/guidance/esef-rules-anchoring-extensions/>

In terms of the volume of tags, the complete tagging of an Issuer's accounts may reach even some 300 tags. Obviously, it will always depend on the size of an Issuer's financial statements.

Assurance procedures are to be performed

The European Commission has been of the view that the compliance with the ESEF RTS shall be considered as part of the "statutory requirements" within the meaning of Article 28(2)(c)(ii) of the Audit Directive. Accordingly, apart from providing an audit opinion on an Issuer's financial statements, the statutory auditor must also provide assurance on whether an Issuer's annual financial report has been prepared in XHTML format, including the partially tagged consolidated financial statements (where applicable) have been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

In this respect, the Accountancy Board as the local standard setter together with the MIA have worked on ESEF Directive 6 which will serve as the local assurance standard for ESEF purposes.

The ESEF Directive 6 may be viewed [here](#).

To achieve and satisfy the statutory requirements for the ESEF regulation within the meaning of Article 28(2)(c)(ii) of the EU Audit Directive and Article 179A(1)(c)(ii) of the Companies Act (Cap. 386), the local assurance standard for ESEF purposes (ESEF Directive 6) has been primarily setup on an already existing the International Standard on Assurance Engagements, which is ISAE 3000 – "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". Furthermore, the local ESEF Directive 6 builds on ISAE 3000 to make a wholistic assurance standard which is ESEF specific. In fact, ESEF Directive 6 specifically states that:

"the principle standard to be used is ISAE 3000, subject to limitations, exclusions and additions specified in this Directive and further clarifications specific to ESEF as provided in this Directive".

Reasonable assurance required

In order to provide an assurance opinion on whether the annual financial report satisfies the 'relevant statutory requirements' for the ESEF regulation, ESEF Directive 6 states

that statutory auditors shall obtain reasonable assurance about whether the Issuers' annual financial report complies in all material respect with the provisions of the ESEF Regulation. Accordingly, only the 'Reasonable Assurance' related procedures referred to ISAE 3000 will apply for the ESEF engagement. The same applies to the conclusions and reporting thereon. The 'relevant statutory requirements' referred to previously are the following:

- i. The annual financial report, including the financial statements, shall be prepared in XHTML format;
- ii. For all consolidated financial statements that are drawn up in accordance with the requirements of 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; and
 - the mark-ups shall comply with the common rules on mark-ups, in accordance with the ESEF Regulation.
- 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.

The auditors' procedures to obtain reasonable assurance on the matters referred to above shall be selected depending on the risks of material misstatement assessed by the auditor. The auditor may decide to rely, to a certain extent, on relevant internal controls put in place by the entity, after having obtained sufficient and appropriate evidence on the operating effectiveness of the relevant internal controls to reduce the extent of substantive procedures.

The ESEF Directive 6 provides further the necessary detail around the procedures that need to be carried out by the auditor to achieve the assurance objectives surrounding ESEF requirements.

Important matters coming out from ESEF Directive 6 are highlighted further in the sections below.

Materiality

For statutory audit purposes, the auditor defines the materiality with reference to the level of misstatement that could reasonably be expected to influence economic decisions taken by the intended users of the financial statements. In the context of the assurance required on the ESEF compliance, material misstatements would be those that affect the economic decisions of users made on the basis of the tagged data.

Furthermore, another necessary condition for ESEF conformity is the technical validity of the ESEF documents. Accordingly, the auditor is to also consider of material importance if the technical specifications are not met, preventing users from accessing the human-readable document and/or from processing the machine-readable information.

The auditor will not apply materiality to verify that the annual financial report is prepared in XHTML format.

Regarding the marked-up information, the intended users of the information may have specific needs and expectations as regards to the completeness and accuracy of the mark-ups. Whilst the materiality for the marked-up information shall be derived from the materiality at the financial statements' level, it should be adapted to the specificities of the marked-up information. Qualitative and quantitative aspects should be taken into consideration by the auditor to adapt the materiality to assess the compliance with ESEF requirements. Those quantitative and qualitative aspects may include specificities related to the first year of application, by the Issuer, of the ESEF requirements. Overall and performance materiality levels calculated for the purpose of the tagged data under ESEF are not expected to be higher than those used for the purpose of the statutory audit of the consolidated financial statements.

Understanding the process for preparing the annual financial report, including the tagged financial statements, in ESEF and related internal controls

As part of the auditor's understanding of the process for preparing the financial statements in ESEF and related internal controls, the local ESEF assurance standard particularly highlights that the auditor is required to understand:

- the process for preparing annual financial report, including the financial statements in ESEF with the use of technical (for example IT tools) and human resources and whether the entity outsources partially or totally this preparation to a service provider or uses a management's expert; and
- the internal controls designed and implemented by the entity to prevent, detect or correct misstatements in the preparation of the financial statements in ESEF.

Obtaining evidence - risk consideration and responses to risks

With respect to the auditor's risk assessment on the ESEF financial statements and the process of obtaining evidence in response to the identified risks, ESEF Directive 6 requires the auditor to consider the following principal matters:

⁴Primary (financial) statements encompass the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows.

1. Risks attached to the marked-up information

Completeness

- Not all figures disclosed in the primary financial statements⁴ of the IFRS consolidated financial statements are marked-up;
- Not all the disclosures in the IFRS consolidated financial statements, are marked-up as specified in Annex II of the ESEF Regulation;
- Required mark-ups relating to the identification of the entity/Issuer are omitted;

Because the existence of the tagging for all the figures in the primary financial statements is considered to be essential within the context of the ESEF Regulation, there will be no materiality applied when verifying the existence of the tagging (hence, the completeness assertion) for the figures disclosed in the primary financial statements.

Accuracy

- The marked-up information does not correspond with the human-readable layer of the financial statements;
- Numbers disclosed in the primary statements of the IFRS consolidated financial statements have been marked-up with an inaccurate context (e.g. year or year-end, currency; debit/credit; scaling [i.e. millions/thousands]);
- Inappropriate elements from the core taxonomy have been selected;
- A misrepresentation of the accounting meaning of the number or disclosure being marked-up arising from selecting an inappropriate element from the core taxonomy;
- An extension taxonomy element created to mark-up a number in the primary statements is not anchored to the core taxonomy element having the closest wider accounting meaning and/or scope to that extension taxonomy element of the Issuer; and
- Where an extension taxonomy element combines a number of core taxonomy elements, the Issuer has not anchored that extension taxonomy element to each of those core taxonomy elements.

2. Procedures to respond to the risks identified on the marked-up information

- Define the appropriate responses to ensure that the information prepared by the Issuer complies with the ESEF requirements.
- Select the appropriate procedures and define the appropriate sample size for the substantive procedures to be performed. In this respect, the auditor should take into consideration the performance materiality on the various items composing the financial statements.

Such procedures could primarily involve developing an independent expectation for the appropriateness of the mark-ups, including related anchoring if applicable, used by an Issuer to mark-up its consolidated financial statements.

- The auditor may also decide to rely, to a certain extent, on relevant internal controls put in place by the Issuer, after having obtained evidence on the effectiveness of the relevant internal controls, to reduce the subsequent substantive procedures.

3. Risks relating to the material importance associated with the technical specifications and the auditor's procedures to respond to these risks

- The auditor must also obtain sufficient appropriate evidence as to whether the ESEF documents meet the technical validity requirements of the ESEF Regulation. Such assessment shall always be based on the ESEF documents as a whole, i.e. on the file containing the ESEF documents or, if the technical specification requires so on a combination of files. A limitation to parts of a file is not appropriate.
- The technical validity of the ESEF documents is given, if the ESEF documents are prepared in an XHTML format, and that technically and formally comply with the requirements mentioned in Annex III of the ESEF Regulation and thus software can read and process the ESEF documents without errors.
- The technical validity requires that the individual files contained in ESEF documents comply with the requirements of the underlying technical specifications with regard to the type of coding, the arrangement of the data within a data format and the links between the data.

4. General considerations with respect to Obtaining Evidence - Risk Consideration and Responses to Risks

- For the purpose of obtaining evidence, the auditor may use the work of an expert to benefit from specialised information technology expertise.
- The implementation of the selected procedures should allow the auditor to obtain sufficient appropriate evidence regarding the compliance of the marked-up information with the ESEF requirements.
- The auditor's assurance procedures over the ESEF annual financial report will often be conducted using appropriate and applicable software. This allows automated checking (with the use of an XML and XBRL validator) that the technical specifications that apply to the specific reporting have been met. In addition, such software can prepare human-readable reports that allow the auditor to check the completeness and accuracy of the tagging (including meta-information and technical matters related to the taxonomy extensions) and assess any deviations from the technical specifications.

ESEF Directive 6 further clarifies that the auditor is not being required to provide an opinion on the internal control process of the tagging system.

Reporting and completion process

Illustrative reports related to the work effort for the auditor on the ESEF requirements, in accordance with the requirements of ESEF Directive 6, can be found in the Appendices A and B to this guidance.

The auditor's conclusion on the compliance by the Issuers with the ESEF requirements,

shall be **provided in the same audit report** on the financial statements (in accordance with the requirements of Article 179B of the Companies Act (Cap. 386), in a section which is clearly separated from the audit opinion titled **'Report on other Legal and Regulatory requirements'**.

Joint audits

Upon circumstances requiring that more than one auditor or audit firm is simultaneously engaged, Article 179A (3) of the Companies Act (Cap. 386) shall prevail, which states that:

'where more than one auditor or audit firm have been simultaneously engaged, the audit report shall be signed by all auditors or at least by the auditors carrying out the statutory audit on behalf of every audit firm'.

Publication of the electronic annual financial report

As far as the publication of electronic annual financial report is concerned, these will be reproduced on the websites of the Issuer and on the Officially Appointed Mechanisms (the "OAM") which for Malta is the Malta Stock Exchange. In this respect, since the Annual Financial Report (AFR) that the auditor's report refers to is in electronic XHTML only, certain important changes will apply to the existing completion and signing process, as mandated by ESEF Directive 6.

In the absence of technology to electronically sign an XHTML/iXBRL Annual Financial Report ("AFR"), without causing validation errors, and in order to authenticate and identify the audited version of the ESEF reporting package, containing the annual financial report prepared in XHTML format in accordance with the requirements of the ESEF RTS, a *Document ID*⁵ is used.

In order to ensure the appropriate level of identity of the ESEF reporting package, together with its security and integrity, the company's officials/Directors and the auditor will abide to the following completion process:

1. The auditor completes the assurance procedures on the ESEF AFR.
2. The auditor compiles the auditor's report, in HTML-format (which constitutes an unsigned copy).
3. The auditor includes the unsigned auditor's report in the audited version of the ESEF AFR, i.e. at the very end of the XHTML file. Accordingly, the issuer's ZIP file, which now comprises the audited ESEF AFR and the unsigned Audit Report within the same ESEF AFR/XHTML file, will represent the final version of the ESEF reporting package.
4. The auditor generates the Document ID for the final version of the ESEF reporting package (hereinafter referred to as "the Document ID").

⁵A Document ID is an integer value or code that is generated through a hashing algorithm, thereby assigning a unique value to an object or file.

An example of a Document ID generator is the one that was developed by the Royal Netherlands Institute of Chartered Accountants and is currently publicly available for use as per <https://www.nba.nl/themas/ict/reporting-package-hash-generator/>. This is one tool which Issuers and auditors may consider using for the purposes stated in this Guidance. Necessary independent checks regarding the risks associated with the use of this tool or any other tool are to be carried out by the respective auditors and Issuers.

5. The auditor sends the final version of the ESEF reporting package, together with the draft Letter of Representation (LoR) to management and requests company's officials/Directors to sign-off the LoR. This LoR will make reference to the Document ID. This communication/e-mail with the client should include a note specifying that this final version of the ESEF reporting package can only be released once the auditor releases the respective signed audit report as per step 11 below.
6. The Board of Directors authorises the Annual Financial Report for issue. A 'Certification Statement' (an illustrative of such statement can be found in Appendix C to this guidance) which makes reference to this authorisation process by the Board, and also quotes the Document ID, is also prepared and signed by the Company Secretary and by two Directors of the company.

In addition to this 'Certification Statement', the company is also required to prepare and sign a 'Directors' Declaration on the ESEF AFR' as required by the MFSA's Circular dated 27 January 2022.

7. For the purpose of authenticating and identifying the final version of the ESEF reporting package, the Document ID will be included:
 - In the Issuer's Certification Statement, which certifies that the ESEF reporting package has been authorised for issue and signed by the Company Secretary and by two members of the Board; and
 - In the LoR issued by the company to the auditor.

These documents are to be duly signed (in wet ink) by the company's officials/ Directors and sent to the auditor together with the ZIP file containing the final version of the ESEF reporting package

8. The auditor generates the Document ID for the received ZIP file (as per step 7 above) and confirms that this is the same Document ID included in the signed LoR and in the 'Certification Statement' as generated in step 4.
9. The auditor prints the auditor's report and signs it with wet ink (and keeps a scanned copy of the signed version).
10. The auditor drafts a covering letter ("CL") to accompany the signed auditor's report, which will be sent to the company. The CL will specify the Document ID for the final version of the ESEF reporting package. (An illustrative covering letter, can be found in the Appendix D to this guidance).
11. The Auditor signs the CL and sends the CL together with the signed version of the auditor's report to the company.

Accordingly, in summary of the above process, the *Document ID* will be included:

- In the company's Certification Statement, which certifies that the ESEF reporting package has been authorised for issue and signed by the Company Secretary and by two members of the Board;

- In the LoR issued by the company to the auditor; and
- In the Covering letter, sent by the auditor to the company, which accompanies the signed auditor's report.

For the avoidance of doubt, the Document ID will not be included in the auditor's report.

Appendix A – Illustrative Guidance

ESEF Assurance Opinion for Issuers that DO NOT prepare IFRS Consolidated Financial Statements

To be included within the section ‘Report on other legal and Regulatory requirements’ of the Auditor’s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the “ESEF RTS”), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (“the ESEF Directive 6”) on the annual financial report of ABC for the year ended [Date], entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the annual financial report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in XHTML format.
- Examining whether the annual financial report has been prepared in XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

[1] [An unmodified opinion]

In our opinion, the annual financial report for the year ended DATE has been prepared in XHTML format in all material respects.

Appendix B – Illustrative Guidance

ESEF Assurance Opinion for Issuers that prepare IFRS Consolidated Financial Statements

To be included within the section ‘Report on other legal and Regulatory requirements’ of the Auditor’s report.

(Includes examples considering either an unmodified opinion, a modified opinion or an adverse opinion)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the “ESEF RTS”), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the “ESEF Directive 6”) on the annual financial report of ABC for the year ended [Date], entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the annual financial report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the consolidated financial statements and the relevant electronic tagging therein comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report, in accordance with the requirements of the ESEF RTS.
- Obtaining the annual financial report and performing validations to determine whether the annual financial report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the annual financial report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

[1] [An unmodified opinion]

In our opinion, the annual financial report for the year ended DATE has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

[2] [A qualified opinion where there are material uncorrected errors in the tagging]

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section below, the annual financial report for the year ended DATE has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Basis for qualified opinion

We identified the following tagging was inappropriately applied and also set out the appropriate replacement tag:

Disclosure	Primary Statement	Value - current year	Value - prior year	Tag Applied by issuer	Appropriate replacement tag
xxx	Balance Sheet	EUR 15m	EUR 12m	[name of label]	[name of label]
yyy	Cash Flow	EUR 18m	EUR 48m	[name of label]	[name of label]
zzz	Statement of changes in equity	EUR 7m	EUR 17m	[name of label]	[name of label]

[3][An adverse opinion where uncorrected errors are so significant that an adverse opinion is appropriate]

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section below, the annual financial report for the year ended DATE has not been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Basis for adverse opinion

The ESEF RTS requires all financial statement line items in each of the primary consolidated financial statements to be tagged. ABC has tagged the disclosures in the statement of profit or loss, statement of other comprehensive income and the statement of financial position. However, no tagging has been prepared for the statement of changes in equity or statement of cash flows. We consider this omission to be pervasive to ABC's overall compliance with ESEF requirements.

Appendix C – Illustrative Certification Statement

The text below is to illustrate the substance that should be included in the “Certification Statement” however the final wording would be then up to the respective Company Secretaries

This “Certification Statement” shall not "be used solely between the auditors and the directors" but shall also be an integral part of the Company’s Board Minutes and the Board Resolution relating to the authorisation for issue of the ESEF AFR.

CERTIFICATION STATEMENT

ON THE ESEF ANNUAL FINANCIAL REPORT

We, _____ and _____, in our capacity as Directors of _____ [insert Company registration number and name] and _____ in my capacity of the Company Secretary of the Board, hereby **certify**:

- i. That the Board of Directors has authorised for issue the Annual Financial Report (“AFR”) for the year ended _____, that has been prepared in accordance with the terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format (“ESEF”)⁶ and the Capital Markets Rules⁷, which AFR is integrated into the electronic file(s) [xxxxxxxxx FILE NAME], endorsed by the Document ID: [hash code(s) XXXXX] for subsequent approval by the auditor.
- ii. That the AFR referred to above does not include handwritten signatures or electronic signatures due to technical restrictions/difficulties arising from the aforementioned electronic format.
- iii. That the AFR referred to above shall serve as the official document for the purposes of the Capital Markets Rules and, where the Issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).

Signature
Director

Signature
Director

Signature
Company Secretary

⁶Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amended from time to time.

⁷Capital Markets Rules as issued by the Malta Financial Services Authority (MFSA).

For the purpose of this document, ‘practitioner’ and ‘auditor’, ‘mark-ups’ and ‘tagging’ are used interchangeably.

Appendix D – Illustrative Covering Letter

[Company Address]

Attn: Board of Directors

[signing date]

Reference: [Document ID]

Subject: Financial Statements and Auditor's report 2021

Dear Sir/Madam

We are pleased to send you our signed auditor's report dated [signing date auditor report] on the audited financial statements of [Company Name] for the financial year ended [xxxxxx 2021], which are included in the * or **

*a) ESEF reporting package * to be used for *Conso FS*

**b) the annual financial report prepared in XHTML format ** to be used for *non-conso FS*

identified with the Document ID: [xxxxxxxxx] that has been authorised for issue by the Board of Directors on [date of board meeting] as noted in the Board's Certification Statement issued on the same date and signed by the Company Secretary and by two members of the Board. This signed auditor's report is only for your own records.

[Include the paragraph below when the annual report contains consolidated financial statements, then delete this text]

In order to authenticate and identify the audited version of the ESEF reporting package [Company name], containing the annual financial report prepared in XHTML format, and which includes the partially tagged consolidated financial statements for the year ended [xxxxxxxxx 2021], a Document ID is used.

[Include the paragraph below when the annual report contains only non-consolidated financial statements, then delete this text]

In order to authenticate and identify the audited version of the annual financial report of [Company name] prepared in XHTML format, and which includes the financial statements for the year ended [xxxxxxxxx 2021], a *Document ID* is used.

We confirm that we gave you our consent to include an unsigned copy of the auditor's report, which corresponds to the attached signed version of the report and includes the name of the external auditor but lacks a wet signature, in the [Company Name]'s Annual Financial Report (prepared in XHTML format) referred to above. You have included the unsigned copy of the auditor's report using any format allowed by the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"). By virtue of this letter and the accompanying auditor's report we are hereby giving consent to release our unsigned report. Publication of this unsigned auditor's report is only permitted together with

the corresponding complete set of the financial statements as included in the said Annual Financial Report.

Yours sincerely

[Audit firm name]

[Name signing auditor]

[Company Name], [Signing date], [Document ID]