



Financial Reporting Council
8th Floor, 125 London Wall,
London EC2Y 5AS
www.frc.org.uk



12 Endeavour Square
London E20 1JN
www.fca.org.uk

15 November 2021

Dear CEO/Chair/CFO,

Structured reporting for issuers with transferable securities admitted to trading on a UK regulated market

Digitisation of information is happening at pace, and it is clear that quality and actionable digital data is a key component of a well-functioning capital market. As an innovative capital market, the UK supports and promotes the production of structured annual financial reports (AFRs), which is a key source of that data. However, a structured AFR will only improve the accessibility, analysis, and comparability of information if it is of sufficient quality and subject to appropriate review.

This letter, written jointly by the FCA and the FRC, seeks to remind issuers of their obligations, sets out our combined expectations on quality and identifies actions we may take in the event of our expectations not being met.

We have sent you this letter as according to our records you represent one or more issuers that have securities on the FCA's Official List (<https://marketsecurities.fca.org.uk/officiallist>). If you consider that an issuer's securities should no longer be listed, or our information is incorrect, then please contact the FCA's Issuer Management team on **020 7066 8352**.

Issuer obligations

Originating as a cross-EU initiative known as the 'European Single Electronic Format' (ESEF), the FCA has implemented rules requiring issuers with transferable securities admitted to trading on UK regulated markets to publish their AFRs in a structured XHTML web browser format. These AFRs must be filed with the FCA's National Storage Mechanism (NSM).

Furthermore, in-scope issuers who prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are also required to tag the financials within their AFRs using a digital classification (taxonomy).

To relieve the burden during the Covid-19 pandemic, in November 2020 the FCA delayed the effective date of the requirements, but made changes to its systems to allow issuers to file with the NSM in the new format voluntarily before the rules apply. We want to remind issuers that mandatory filing comes into force

for financial years starting on or after 1 January 2021, for filing from 1 January 2022. To meet the timetable for complying with the rules, issuers will need to devote further and continuing management and operational resource to ensure that they will be able to submit AFRs in the required format.

Issuers will need to review the Disclosure Guidance and Transparency Rules (DTR 4.1) to check whether these requirements apply, and to what extent they apply. In general, DTR 4.1 only applies to issuers with securities admitted to trading on a regulated market (so, for example, this excludes issuers of securities on the LSE's Professional Securities Market or AIM). There are also exemptions for certain issuers of securities on regulated markets, set out in DTR 4.4, which include:

- Public sector issuers (see DTR 4.4.1).
- Issuers that issue exclusively debt securities admitted to trading the denomination per unit of which is at least 100,000 euros (or an equivalent amount) (see DTR 4.4.2).

For issuers that produce consolidated financial statements, the taxonomy currently specified in the FCA rules is the ESEF taxonomy that was in force on 31 December 2020 following the UK's exit from the EU. This specified taxonomy does not take into account subsequent updates. The FCA has recently consulted on which taxonomies, and the applicable versions of them, we should make available to issuers to use to comply with our rules (see CP21/27: Quarterly Consultation Paper No. 33). We have noted that issuers may already be considering or even using certain other taxonomies (such as more recent versions of the ESEF taxonomy as applicable in the EU or the UKSEF taxonomy).

Our expectations on quality

Any change to the corporate reporting process can create challenges for issuers, especially when introducing new formats and technologies. However, it remains crucial that any output is of sufficient and appropriate quality.

So far, we have had several issuers taking advantage of the voluntary approach to file their AFRs. It is proving to be a very valuable learning experience, particularly where tags have been used and errors and/or warnings have been generated. The FRC's Lab has recently undertaken a review of these tagged filings. It has also reviewed AFRs elsewhere in Europe, where some jurisdictions have already mandated the requirements. It has identified some areas where quality is not of the expected standard. The Lab's report provides details of key issues that issuers might want to consider (http://www.frc.org.uk/document-library/financial-reporting-lab/2021/frc-lab-structured-reporting_esef-2021). Information on the quality of tagging can also be found on XBRL International's website (<https://filings.xbrl.org/>).

We would remind issuers that they are responsible for all information drawn up and made public under the DTRs. We, therefore, would expect issuers to devote the same level of care and attention to the XHTML AFR as they do to the AFR in PDF or printed form.

We also strongly encourage issuers to take advantage of the opportunity to file accounts in the new electronic format voluntarily to help ensure they are familiar with the requirements and the submission process before the mandatory requirements are in place. Issuers that have already filed non-structured versions of their AFRs (e.g. in PDF), are still able to submit a structured version separately (and at a later date). However, these issuers must ensure the underlying information within the reports is identical.

Actions we may take

Together the FCA and FRC (via the Lab) will consider the quality and usability of the structured annual financial reports in this first year of mandatory adoption. We will collectively publish a follow-up to the FRC Lab's review of best practices later in 2022 and may take further action if quality does not meet our expectations.

Next steps

Further information on the UK's requirements in relation to the ESEF initiative can be found on the FCA's webpage (<https://www.fca.org.uk/markets/company-annual-financial-reporting-electronic-format>), including how to file with the FCA. This will be kept updated as the FCA's requirements evolve. **We strongly recommend all issuers review these requirements and prepare for change as pdf versions of AFRs will no longer satisfy the FCA's transparency rules (DTR 4.1.14 and DTR 6.2.2).**

Links to useful resources, guidance and events to support issuers can be found on the FRC Lab's XBRL page (<https://www.frc.org.uk/investors/financial-reporting-lab/lab's-work-on-xbrl>) and the FRC's taxonomy page (<https://www.frc.org.uk/accountants/accounting-and-reporting-policy/xbrl-frc-taxonomies>).

Yours sincerely

Clare Cole

Director of Market Oversight, Financial Conduct Authority

Mark Babington

Executive Director, Regulatory Standards, Financial Reporting Council