



Financial Reporting Council



How to prepare for structured reporting this year-end

Webinar

FRC

Phil Fitz-Gerald
Financial Reporting Lab
Director

Thomas Toomse-Smith
Head of digital and
innovation

Karlien Conings
Project manager, Financial
Reporting Lab

Jennifer Guest
Project Director, Accounting
& reporting policy

FCA

Jayne Williams
Senior Associate, Capital
Markets Policy Team

Leslie Bullock
Manager, Market Oversight
Technology Services

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Agenda

- 1 Who, what and when?
- Structured reporting requirements
 - Taxonomies, including UKSEF
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- 2 How?
- Process
 - Usability and appearance
 - Tagging
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3 Q&A

- Questions can be submitted throughout the presentation
- A recording of the webinar and the slide pack will be made available [here](#).

Who, what and when?

Structured reporting
requirements & taxonomies

Structured reporting requirements in the UK

Who?

Issuers with transferable securities admitted to trading on UK regulated markets

- Issuers should review DTR 4.1 to check whether they are in scope.
- In the UK, there are six regulated markets, including the LSE main market. This excludes issuers of securities on the LSE's Professional Securities Market or AIM.
- Certain exemptions apply, for example for public sector issuers and certain debt issuers.

What?

A change in reporting format: PDF → xHTML

In-scope issuers who prepare consolidated IFRS financial statements:	xHTML format, with financial statements marked up using a permitted taxonomy
Other in-scope issuers (such as investment companies):	xHTML format only

Only the format of the Annual Financial Report changes – other obligations relating to the Annual Financial Report are not affected.

Structured reporting requirements in the UK

When?

2021

Voluntary filing for financial years starting on or after 1 January 2020

2022

Mandatory filing for financial years starting on or after 1 January 2021 – detailed tagging of primary financial statements and specified mandatory tags only

2023

Mandatory filing for financial years starting on or after 1 January 2022 – detailed tagging of primary financial statements, specified mandatory tags + block tagging of the notes

Consultation on permitted taxonomies

- The taxonomy currently permitted under FCA rules is ESEF 2019 (the core taxonomy)
- FCA [consulted](#) in September 2021 on extending the range of permitted taxonomies
- Consultation closed in October – broadly positive responses
- Expected rule changes:
 - Mid December - other 'in-force' taxonomies (ESEF 2020, UKSEF 2021 and 2022 suites)
 - Early 2022 - ESEF 2021 (subject to EU adoption)
- 2022 reporting season – all of the above
- 2023 reporting season – narrower range
- Further FCA consultation planned for 2022

Structured reporting requirements in the UK

Submission to the National Storage mechanism

- Submitters should use the dedicated case category within the [ESS submission portal](#).
- If new to the system, submitters will need to register and provide evidence they are authorised by issuers.
- There is an [NSM submitter guide](#) and [technical guidelines](#) that submitters must refer to.

Checks and Validation

- Various checks are performed against the submitter guide, technical guidelines and the appropriate reporting manual.
- Feedback is provided on issues, including whether the submission has been published on the [NSM](#) or not.

Structured reporting requirements in the UK

Pre-submission feedback facility

- Tagged submissions can be uploaded without them being published.
- This 'test' facility allows submitters to obtain feedback on validations and checks.

Need help?

- Ensure you review the rules and relevant guidelines – more information on the FCA requirements can be found [here](#) and [here](#).
- This is a technical area so you may need to seek external advice in producing xHTML files.
- Review the findings from the [Lab's report](#).
- Make use of the test facility.
- Review your validation responses with reference to the relevant taxonomy guidelines.

FRC Taxonomy suite & UKSEF

FRC Taxonomy Suite

- FRC has ownership and copyright of the UK Taxonomies
- Viewed as an extension to our work on [standard setting](#) and enables preparers to digitally tag their financial statements.
- The [suite](#) comprises of taxonomies for filing for UKSEF, UK IFRS, UK GAAP, SECR, Irish and Charitable reporting.
- Due process:
 - Taxonomies developed by a designated project team with guidance from a [Technical Task Force](#); and
 - [Governance Committee](#) to reflect expected reporting under the relevant standards and regulations

Implementation of taxonomies

- Consultation is live and interactive, followed by re-deliberations and [issuance of taxonomies](#) on our website
- [Guidance](#) for preparers and developers:
 - Stable platform
 - Implementation guidance & support
 - Dealing with issues when they arise
- Rigorous outreach is conducted
- The UK Taxonomies provide:
 - a complete, coherent and consistent model of financial reports data required for analysis
 - a sound basis for comparison and analysis of data which will evolve over time

UKSEF

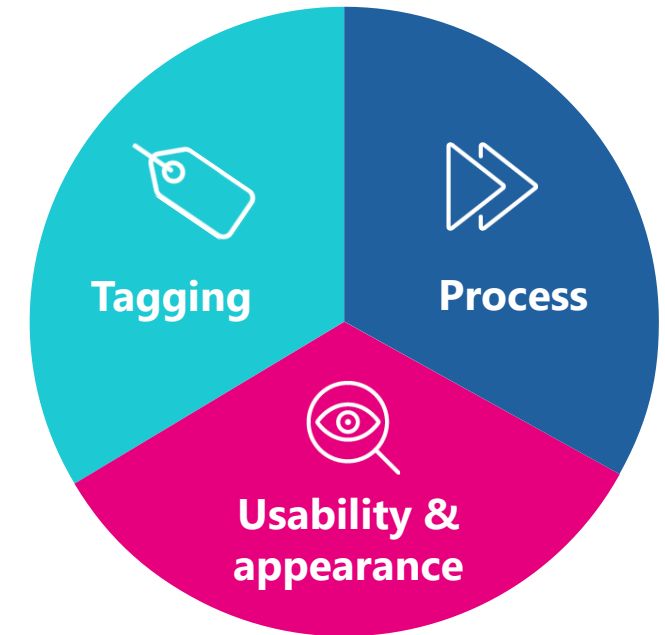
- The [UK version of the ESEF Taxonomy](#).
- Ensures compliance with UK tagging requirements, enabling filing to the FCA and Companies House.
- UKSEF can be used with tags from the FRC Taxonomy Suite including tags for the Directors Report, SECR and TCFD disclosures.
- The ESEF rules do not contain sufficient guidance for UK filing. There is a [UKSEF guide](#) for preparers and developers.
- The 2022 version is better structured for any future amendments

How?

Process, usability and tagging

Key messages

- The majority of reports across the sample **fell short** of the **quality** that is expected for companies' official filings.
- More than 70% of the files contained **tagging errors**, more than half had issues limiting their **usability** and more than 25% had **design issues**.
- Although many issues were identified during the review, almost all issues could be solved with **appropriate care and attention**.
- The Lab identified **practice tips** across three broad areas: **process, usability & appearance and tagging**.



Read full report [here](#)



1. Understand the requirements and get the right teams involved
2. Pick an approach (and service provider)
3. Consider whether to tag information voluntarily
4. Test, Test, Test
5. Set up a robust governance process

Factors to consider in choosing an approach and service provider:

Timing and workflow

Bolt-on



Parallel

Company involvement

In-house



Outsourced

Design

Compliance-based



Full design



Attitude to the file

- Companies traditionally spend significant amounts of time, attention and resources on ensuring that communication is well-designed and accurate.
- Companies should devote the same level of care and attention to their structured report as it becomes the official version of the annual report.

Formatting issues

- Although the software available to create designed XBRL files has evolved, there are still issues caused by poor translation of design from PDF into XHTML.
- Companies should consider spending time to adapt their design upfront or building in sufficient review and remediation time.

Usability

- Companies should make sure the structured report includes all the components of an annual financial report.
- It is helpful if companies put the structured report on their website, with an Inline XBRL viewer.



Choosing the right tag

- Companies should make sure the tags they use correctly reflect the accounting meaning of the reported information and reflect the judgements made in preparing the human-readable report.
- Carefully consider the tag labels and references to the related requirements in IFRS Standards.

Creating extensions

- Extensions should only be used when necessary, that is, when no suitable tag exists in the core taxonomy.
- However, companies should not try to 'shoehorn' their disclosures into core taxonomy tags to avoid extensions at all costs.

Common tagging issues

- Producing a structured report introduces a risk of new types of errors.
- Plan a review process and look out for common issues such as wrong signs (+ or -) and calculation inconsistencies.
- Warnings should be investigated but not all warnings must be resolved.

Next steps

Supporting high-quality reporting

We plan to:

- work together with the FCA to continue supporting companies in their implementation of the requirements to produce **high-quality filings**—for example see the recent [dear CEO letter](#).
- do further work to better understand how investors and other stakeholders are using or may **use the data** and what challenges they face.



Contact us at: SDR@frc.org.uk

Q&A