

# UK electronic reporting survey

Results and feedback

# Introduction

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In May 2021 the Financial Reporting Lab (Lab) released a survey that sought to understand how companies were responding to the introduction of new digital reporting requirements (see next page for regulatory background).

This report highlights some of the survey results, showing that UK companies have begun to put the right steps in place to meet the requirements, but still have some important outstanding actions. The report focuses principally on those elements highlighted by preparers/issuers because they reflect the largest participant group.

We thank all those that took part in the survey and we are now working through actions that will support the market in the areas identified.

**“UK companies have begun to put the right steps in place to meet the requirements, but still have some important outstanding actions.”**

# Regulatory background

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In 2019 the FCA introduced a change to the Disclosure and Transparency Rules (DTR 4.1.14), which requires issuers with transferable securities admitted to trading on UK regulated markets to publish and file their Annual Financial Reports (AFR) in XHTML web browser format, replacing the current PDF format. Furthermore, in scope issuers who prepare consolidated AFRs in accordance with International Financial Reporting Standards (IFRS) (or certain defined equivalents) are also required to tag basic financial information and notes using a digital classification.

In November 2020, the FCA decided to delay implementing the first phase of DTR 4.1.14 in the UK in the face of unprecedented challenges from COVID-19. This delay allowed issuers to postpone producing their annual financial report in the new electronic format required under the DTR.

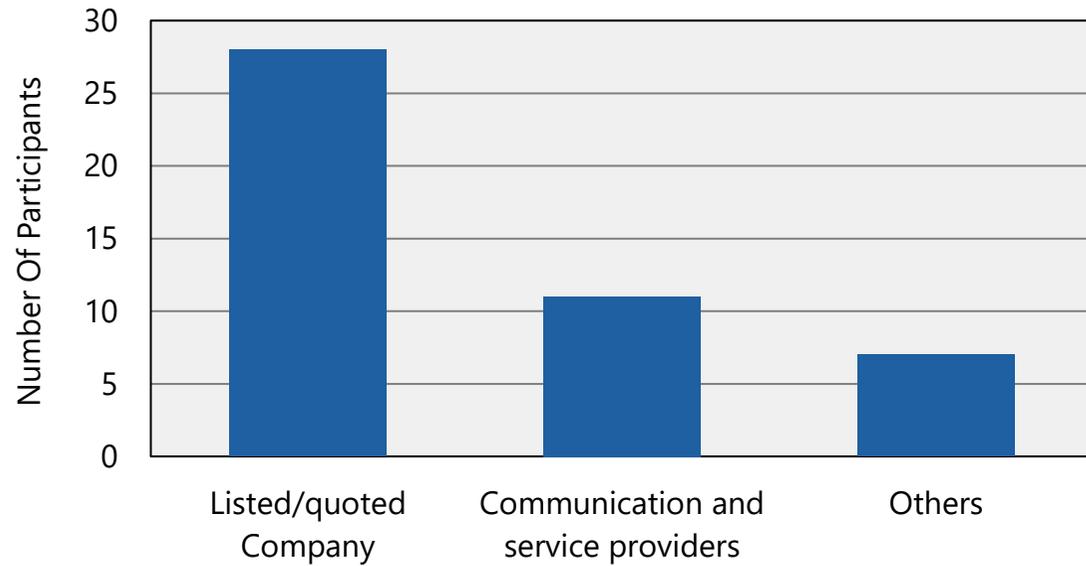
DTR 4.1.14 requirements are therefore in place for financial years starting on or after 1 January 2021, for publication from 1 January 2022. To meet the current timetable set out by these rules, issuers will need to devote further and continuing management and operational resource to ensure that they will be able to submit annual financial reports in the required format.

The second phase of the requirements for tagging notes to the financial statements commences for financial years starting on or after 1 January 2022, with publication from 1 January 2023. Full details of the requirements can be found on the FCA's dedicated web page (<https://www.fca.org.uk/markets/esef>).

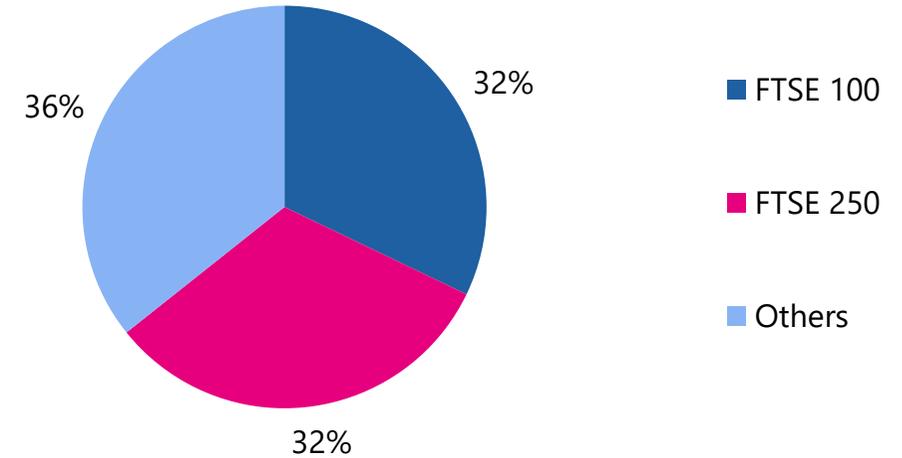
# Survey participants

46 respondents

Participant breakdown

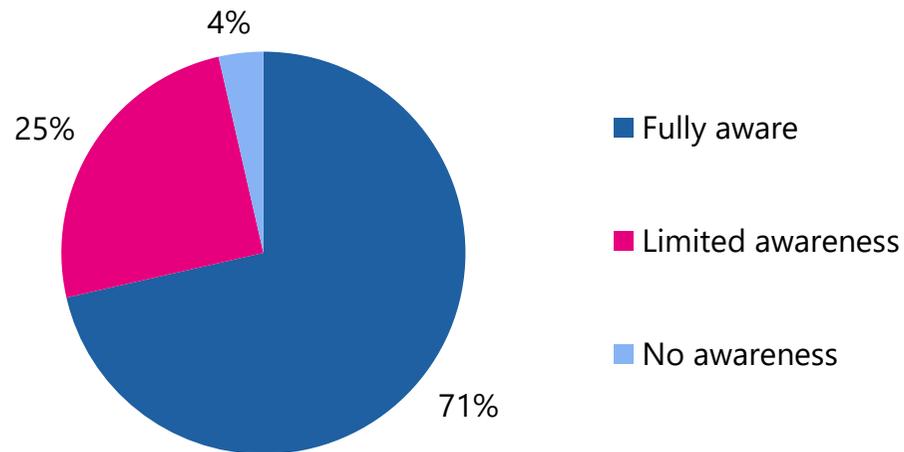


Company breakdown



# Awareness

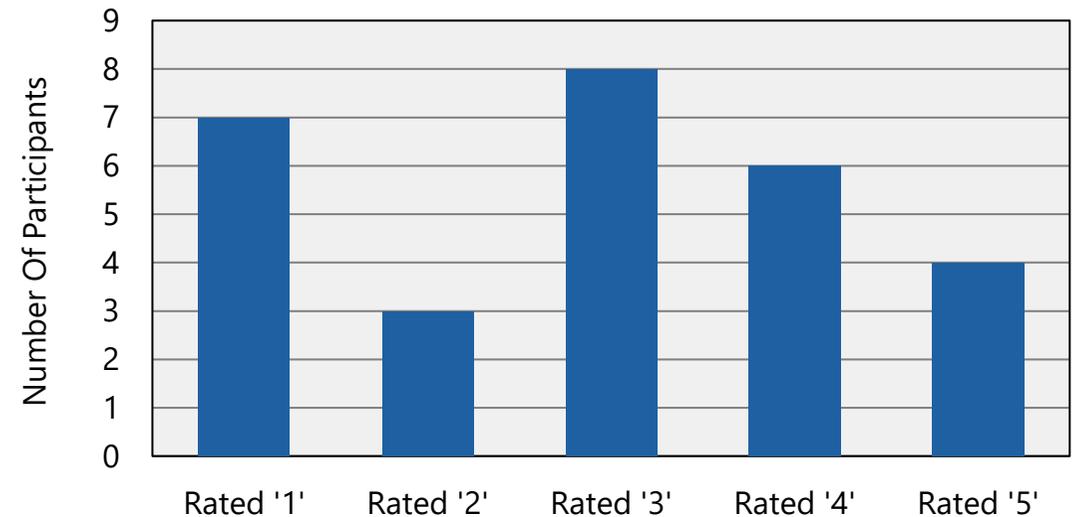
How aware are you of the new requirements (DTR 4.1.14)?



This is an improvement from the 2020 survey, which saw 50% of respondents say they had no or limited awareness.\*

\* We acknowledge the potential bias in these results—companies that are not aware of the requirements are unlikely to have responded to our survey.

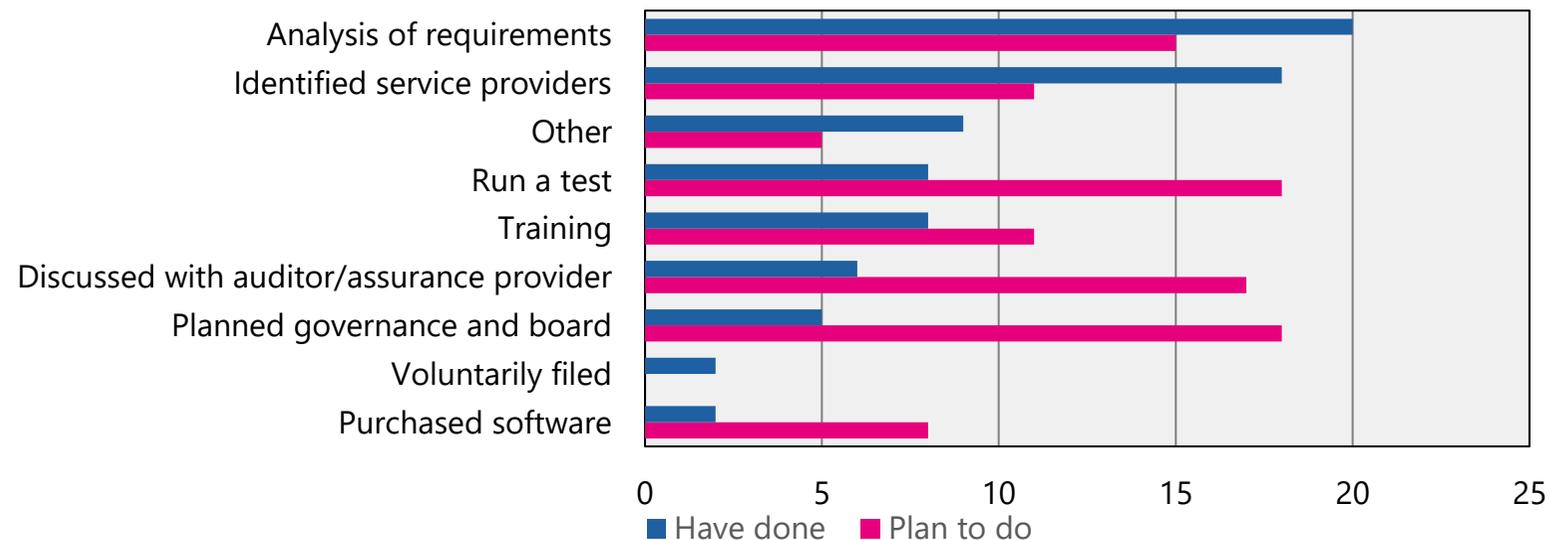
How prepared do you feel (with 5 being fully prepared)?



Overall average is 2.89 out of 5, which is an improvement from the 2020 survey which had an overall rating of 2.2. \*

# Actions and activities

## What actions have you/are you planning to undertake?

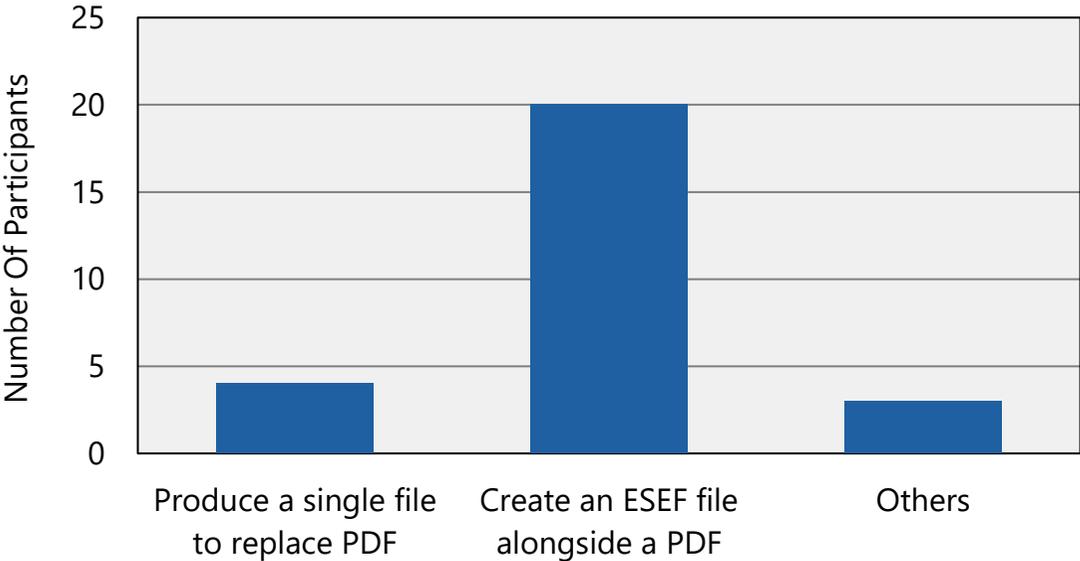


Preparers have begun to put the right steps in place with many having undertaken an analysis of the requirements and identified service providers. Key remaining actions are to run a test and engage the board.

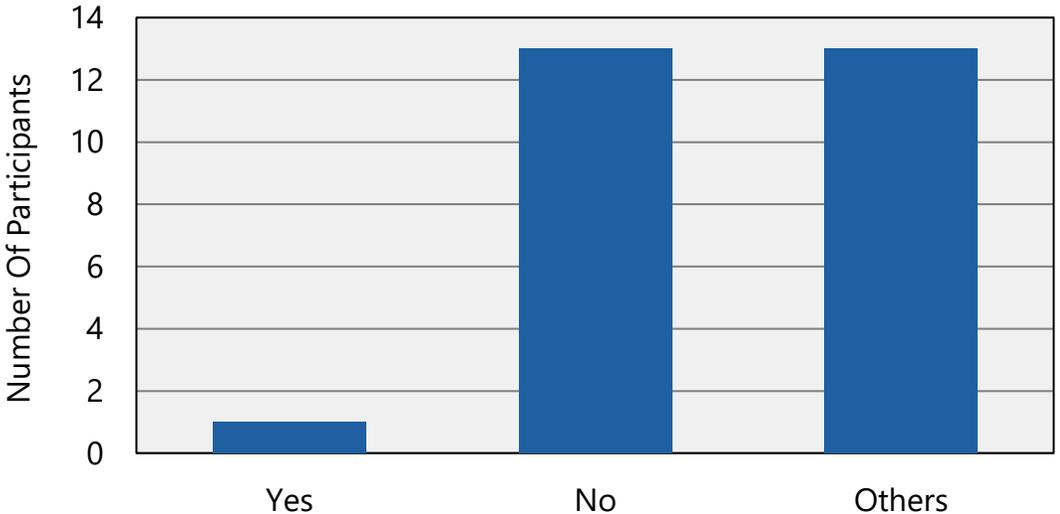
Our experience of ESEF is that testing the approach and mapping the annual report are critical to a successful implementation. We note that testing should be conducted at a stage where lessons can be fully fed into the process for year-end. Testing using a prior-year annual report is a popular approach adopted by many.

# Implementation options

## Approach to the file



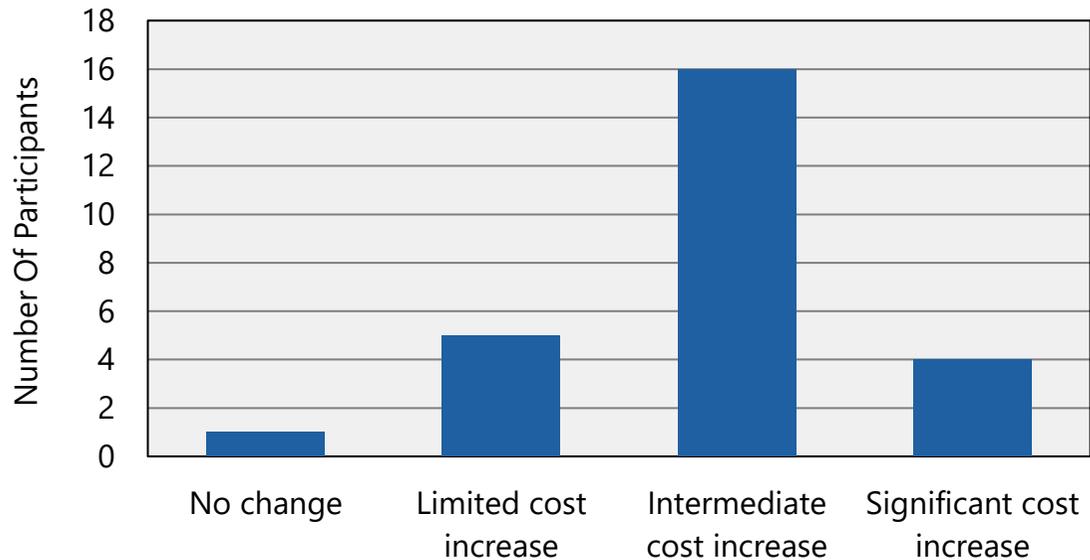
## Do you plan to send the ESEF version to shareholders?



Almost all companies are treating the ESEF file as an addition to the traditional annual report. This was also reflected in further questions around the intention to file the report at Companies House. We note that there remains confusion around the appropriate flow and process in relation to obligations under the Companies Act, the FCA rules and the Companies House guidelines. The Lab will cover these in our Early Implementation Review (expected to be released in October).

# Costs

## To what degree do you consider ESEF will increase your costs?



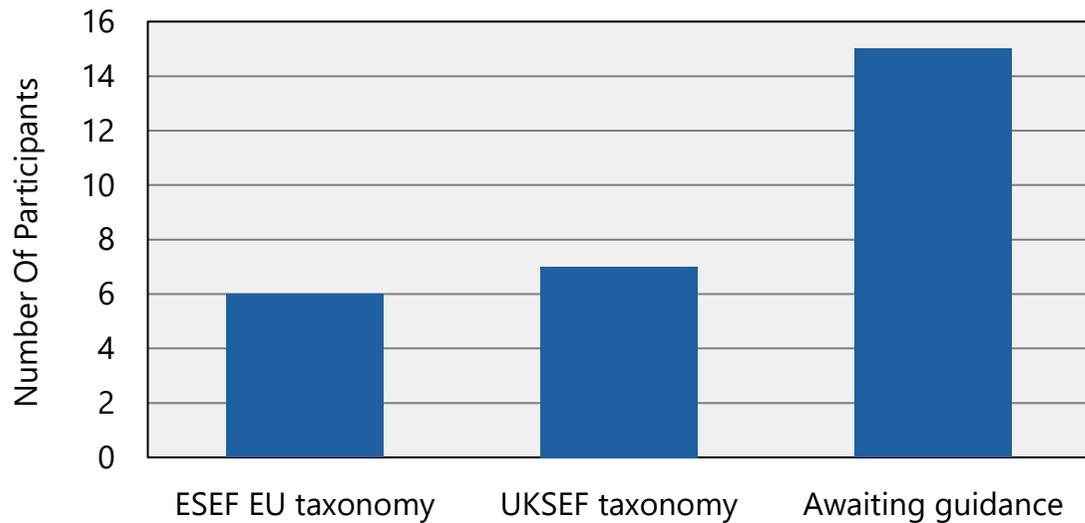
<sup>1</sup> <https://www.xbrl.org/esef-tools-widely-available/>

Almost all companies consider that ESEF adds cost although most consider it to be intermediately incremental. This is consistent with the findings of XBRL International's survey<sup>1</sup> which found that a significant number of products to facilitate ESEF were available at below €25k.

While software and service are a key element of ESEF cost, our expectation is that preparers/issuers will need to dedicate significant internal and governance resources to ensure that the ESEF process results in high-quality reporting.

# Taxonomy

## Which taxonomy are you planning to use for 2021 reporting?



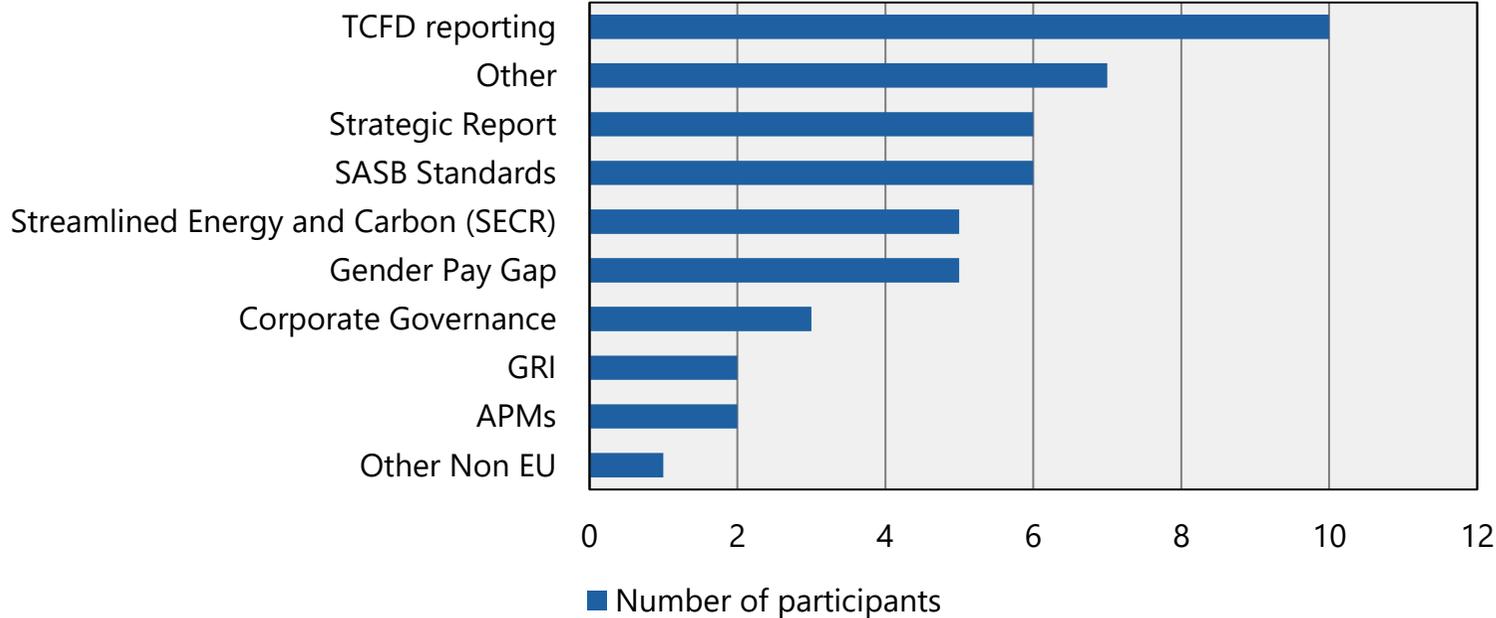
Most participants were awaiting guidance on 2021 taxonomies before selecting an approach. A number considered that they would use the UKSEF taxonomy (which is a UK mirror of the ESEF EU taxonomy with additional UK-specific tags).

The FCA is [currently consulting](#) on permitted taxonomies for DTR 4.1.14.

The FRC is currently consulting on updates for the 2022 UKSEF taxonomy and will increase the UK-specific recommended tags to new areas of reporting. Details on the UKSEF taxonomy and the consultation can be found [on the FRC's website](#).

# Other tagging areas

Which other areas would you tag if a taxonomy was available?



Taskforce on Climate-related Financial Disclosure (TCFD) reporting and environmental, social and governance disclosures are key areas identified by preparers as priorities for future tagging.

The FRC supports the wider digitisation of corporate reporting and to that end the UKSEF 2022 suite, which is currently out for consultation, is proposing to add voluntary tagging of TCFD, SECR and Gender Pay Gap information.

# Additional Comments

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## Additional comments included:

- a push for simple and consolidated guidance;
- a desire for clarity on taxonomies, process and assurance;
- suggestions to nudge/remind companies of their responsibilities; and
- some concern about the cost/benefit.

# Actions

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## In response to the survey the FRC Lab will be supporting the market by:

- Publishing a list of resources to help companies understand and implement the requirements (September 2021)
- Publishing an Early Implementation Review of ESEF across the UK and EU (October 2021)
- Running an event to get people prepared for year-end (December 2021)
- Working with the FCA, FRC and other regulators

We are keen to speak to stakeholders to learn from their experience implementing ESEF. If you are interested, **please get in touch** at **[FinancialReportingLab@frc.org.uk](mailto:FinancialReportingLab@frc.org.uk)**.

Reports and information about the Lab can be found at  
<https://www.frc.org.uk/Lab>

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