

# **Delay to the implementation of European Single Electronic Format and update on Coronavirus-related measures**

**Policy Statement**

PS20/14

November 2020

## This relates to

Consultation Paper 20/12  
which is available on our website at  
[www.fca.org.uk/publications](http://www.fca.org.uk/publications)

**Email:**

[cp20-12@fca.org.uk](mailto:cp20-12@fca.org.uk)

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# 1 Summary

## ESEF measures

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- 1.1** This Policy Statement sets out our decision on our proposals to push back by 1 year mandatory requirements related to the European Single Electronic Format (ESEF).
- 1.2** The ESEF initiative includes requirements for publication and filing of machine-readable financial statements and the electronic tagging of basic financial statements and notes to these financial statements. It will enhance the accessibility of issuers' financial data and will make easier the process of evaluating corporate performance by investors across industry sectors and different jurisdictions.
- 1.3** Our proposals to push back implementation by 1 year aimed to relieve the burden on issuers during the exceptional circumstances of the coronavirus pandemic. These proposals were set out in our Consultation on delay to the implementation of the European Single Electronic Format (ESEF) ([CP 20/12](#)).
- 1.4** This Policy Statement summarises the feedback we received and sets out our response to it. It also gives an update on measures to extend deadlines for the publication by listed companies of financial statements. These measures were introduced in response to the coronavirus pandemic.
- 1.5** Feedback to CP 20/12 was supportive overall of a delay to ESEF implementation for financial years starting on or after 1 January 2020, though some of the respondents, particularly a number of companies assisting issuers in implementing ESEF, opposed it. Feedback about whether we should delay requirements for tagging of notes to the annual financial statements was more balanced between those who supported a delay and those who did not feel that it was necessary.
- 1.6** In light of the feedback, we are going to proceed with our proposal to push back by 1 year ESEF requirements originally scheduled for financial years starting on or after 1 January 2020, which will now apply to financial years starting on or after 1 January 2021. Issuers will, however, still be able to publish and file their financial reports in ESEF voluntarily for financial years starting on or after 1 January 2020, from January 2021 if they choose to do so.
- 1.7** However, we have adjusted our proposal in relation to implementation of mandatory tagging of notes to the annual financial statements. In light of the mixed feedback to this proposal, and taking into account the views of those respondents who did not support any delay to the overall ESEF timetable, we have decided to keep this requirement to the existing timetable, and it will apply to financial years starting on or after 1 January 2022. Details of our decision are set out in Section 3 of this document and our new rules are set out in Appendix 1.

## Coronavirus-related temporary policy measures on corporate reporting

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- 1.8** Earlier this year we announced a series of measures aimed at assisting listed companies through the coronavirus crisis. These included measures on the deadlines attached to both annual and half-yearly financial statements, as well as a package of other measures aimed principally at companies seeking to raise additional capital.
- 1.9** Those announcements were clear that those policy interventions were temporary while the UK faces the extreme disruption of the coronavirus pandemic and its aftermath. We said at the time we will keep those interventions under review and when the disruption abates we will announce how we will end them in a fair, orderly and transparent way.
- 1.10** We repeat that commitment. At the moment, the disruption caused by the coronavirus in our view has not abated sufficiently to justify removing any of the reliefs. So, we are confirming that our temporary relief for delayed publication of financial statements will, at a minimum, continue to be available to listed companies with financial periods ending before April 2021.
- 1.11** When we decide to bring any of these measures to an end we will give companies notice so that they have time to plan for the change.

## Who this affects

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- 1.12** This Policy Statement affects issuers with transferable securities admitted to trading on UK regulated markets, or who are considering admission to trading on a UK regulated market. It is also of interest to:
- Issuers with securities admitted to our Official List or considering a listing.
  - Firms advising issuers or advising persons investing in their securities.
  - Firms or persons investing or dealing in UK listed securities or securities admitted to trading on a UK regulated market.
  - Firms providing research and analysis on issuers, and
  - Accountants and other advisors and service providers helping issuers with the preparation and publication of their annual financial statements.

## The wider context of this policy statement

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- 1.13** The wider context of this Policy Statement includes the impact of the coronavirus crisis, which has put significant pressures on issuers, and the UK's exit from the EU.
- 1.14** To meet ESEF requirements issuers will need to devote potentially significant management and operational time for the rest of this year and continuing into 2021.
- 1.15** In this context, and in line with our other recent actions to relieve burdens on issuers, our changes to the ESEF implementation timetable will allow issuers to focus on their more immediate and significant priorities.

- 1.16** The EU Regulatory Technical Standard (RTS) setting out the detailed requirements and timetable for implementation is already in force and will be part of UK law under the EU Withdrawal Act. We can only change the RTS when we have the powers to do so at the end of the Implementation Period (IP completion day). We are therefore making these changes with effect from 1 January 2021, following the end of the Implementation Period.
- 1.17** We note that the European Council has proposed amending the Transparency Directive in order to allow EU Member States to delay ESEF requirements starting on or after 1 January 2020 by one year if they choose to do so

## What we are changing

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- 1.18** In our Consultation Paper, we proposed to push the ESEF mandatory requirements back by 1 year. We have decided to continue with our proposal to push back by 1 year the mandatory requirements to publish and file machine-readable financial statements and tagging of basic financial information. But requirements for the tagging of notes to the annual financial statements will now run on their original timetable. This means that:
- The requirement for all issuers to publish and file their annual financial reports in XHTML web browser format, replacing the current PDF format, will be pushed back to financial years starting on or after 1 January 2021, for publication from 1 January 2022.
  - The requirement for issuers who prepare consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS) to tag basic financial information will be pushed back to financial years starting on or after 1 January 2021, for publication from 1 January 2022.
  - However, the requirement for issuers who prepare IFRS consolidated annual financial statements to tag notes to the financial statements will now be unchanged, applying to financial years starting on or after 1 January 2022, for publication from 1 January 2023.

## Outcome we are seeking

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- 1.19** We want to help issuers to focus their management and operational resources on their immediate and urgent needs in the exceptional circumstances caused by the coronavirus, without damaging the transparency and effectiveness of the UK's capital markets. We also want to enable issuers to publish and file voluntarily their annual financial reports in the new ESEF in 2021 if they choose to do so.
- 1.20** We also want to achieve a smooth and effective long-term implementation of the ESEF initiative, which should enhance the transparency and efficiency of the UK's regulated markets.

## How it links to our objectives

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- 1.21** We support the ESEF initiative as it enhances the accessibility of issuers' financial data and will make easier the process of evaluating corporate performance by investors across industry sectors and different jurisdictions. This will help to improve the long-term effectiveness of the UK capital market and reduce the cost of capital.
- 1.22** Our decision to delay by 1 year ESEF requirements for publication and filing of machine-readable financial statements and for tagging of basic financial information should help market integrity by minimising burdens on issuers during the exceptional circumstances of the coronavirus crisis. Our decision not to delay the requirement for issuers who prepare IFRS consolidated financial statements to tag notes to the annual financial statements allows for consistency of implementation at a timetable in line with that of other markets.

## Measuring success

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- 1.23** We will measure our success by feedback on the implementation of ESEF under our proposal and on its effectiveness in avoiding excessive short-term costs and resource stretch for issuers.

## Equality and diversity considerations

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- 1.24** We have considered the equality and diversity issues that may arise from the decision set out in this Policy Statement. Overall, whilst we recognise that ESEF may improve the accessibility of data for investors and analysts, we do not consider that our decision materially impacts any of the groups with protected characteristics under the Equality Act 2010.

## Next steps

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- 1.25** The new rules (which are set out in Appendix 1) will come into force on IP completion day as defined in the European Union (Withdrawal Agreement) Act 2020 (that is, 31 December 2020 at 11.00pm).
- 1.26** To allow issuers to submit annual reports in the ESEF standard, the FCA is upgrading our National Storage Mechanism facility, and our online archive of filings by companies who are subject to the Transparency Directive and Listing Rules.
- 1.27** We currently anticipate releasing the upgrade in January 2021, ready for those issuers who wish to file reports in ESEF on a voluntary basis. More information will be available on the ESEF pages of FCA website as the project progresses.

## 2 Feedback to CP 20-12

2.1 This section summarises feedback to CP 20-12 and sets out our response.

### Summary of responses

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2.2 We had 21 substantive responses, from a range of stakeholders including companies assisting issuers in ESEF implementation, issuers, investor groups, investment management companies, public bodies, consulting firms, trade associations and industry bodies.

### ESEF requirements for machine-readable publication and tagging of basic financial information

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2.3 We asked the following questions in relation to a delay on ESEF requirements set for publication and filing of machine-readable financial statements and tagging of basic financial information.

**Q1:** *Do you agree with our proposal to delay by 1 year the mandatory requirement for all issuers to publish their entire annual financial report in XHTML web browser format?*

**Q2:** *Do you agree with our proposal to delay by 1 year the mandatory requirement for issuers who prepare consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS) to publish these statements with tagging of basic financial information in ESEF machine-readable format, as set out in the RTS?*

### Feedback to Questions 1 and 2 and our response.

2.4 We had 21 responses to Questions 1 and 2, with 12 of these supportive of our proposal for a delay, and 9 against.

2.5 The 3 accounting and consulting firms and 1 accounting professional body who responded supported a delay to ESEF for the reasons we set out in CP 20/12, to relieve burdens on issuers and to assist an effective implementation.

2.6 We had 3 responses from larger issuers who responded supporting delay, arguing that ESEF is a significant cost to bear when they are experiencing difficulties due to the coronavirus pandemic. However, the 1 smaller issuer who responded, drawn from the IT consulting and corporate reporting sector, said that ESEF is not an issue of concern

for them and that they are ready for implementation. 1 professional body related to issuers also supported a delay.

- 2.7** 9 companies assisting issuers in the implementation of ESEF or providing related IT and reporting advice responded. 7 of these did not support a delay to ESEF implementation. They questioned whether the costs to issuers of ESEF implementation are as high as set out in our cost benefit analysis (CBA). They also stated that, in their experience, issuers are ready to implement ESEF. 1 of these respondents commented that a delay to ESEF would put the UK market out of line with EU and other markets and that this could damage UK competitiveness. 1 of these respondents also stated that they did not see any reason to think that the situation would be any better in a year's time.
- 2.8** The 3 investors and investor groups who responded had contrasting views about the proposed delay. One argued that it is even more important that the market should have easier access to data in the ESEF during the current circumstances. An investment management company and a body representing issuers who responded argued for a delay to allow for a more effective implementation, and the first of these noted that for many issuers the current circumstances of remote working made training of staff and testing for ESEF difficult.
- 2.9** Four of the total respondents emphasised the need for clarity as soon as possible on what the nature of any audit requirement on the ESEF might be.

### Our response

We are grateful for all feedback provided. Whilst it was supportive overall of a delay to ESEF implementation, we recognise that a significant minority of respondents, particularly those who are assisting issuers in implementing ESEF, opposed a delay.

We re-emphasise that we support ESEF and that any issuer who is ready, and who wants to, will be able to publish and file their annual financial reports in ESEF voluntarily with the FCA's National Storage Mechanism from January 2021. We encourage those issuers who are able to do this from next year, to do so.

However, we have decided to proceed with our proposal to push back implementation of these requirements by 1 year for the reasons set out below.

The balance of responses was supportive of our proposal to delay. Larger issuers who responded indicate that ESEF implementation is a significant challenge for them in the current circumstances. This is also supported by the accounting and consulting firms who responded. In addition, recent evidence from a survey of issuers carried out by the Financial Reporting Council (FRC) indicates that many issuers are at a low stage of preparation.

We note, however, that ESEF is not considered a difficulty by all, particularly by respondents who argue that the costs of implementation are low.



However, in relation to the costs of implementing ESEF now, even if the costs may be lower than those contained in our CBA, as argued by some respondents, we are confident that the benefits still outweigh costs in monetary terms i.e. there is still a net benefit from delaying these requirements. We also remain concerned about the opportunity costs for issuers in having to allocate scarce resources to ESEF at this time. It is not practicable for us to quantify these opportunity costs.

We recognise that the situation for issuers may still be difficult in a year's time. But, if this is the case, a delay will be more rather than less important so that issuers have more time to prepare and implementation is more effective.

We note the concerns of some respondents over the impact of our proposals on the ability of investors to access more easily issuers' financial statements and, more widely, on the competitiveness of the UK's financial markets.

As we explained in CP 20-12, the benefits of ESEF will accrue over the longer-term rather than immediately. In addition, rushed or ineffective implementation now is likely to result in less robust and reliable tagging, which could be damaging to market transparency overall. In the meantime, there will be no loss of existing transparency. We do not think that a short delay now to the ESEF requirements originally timetabled for financial years starting on or after 1 January 2020, will damage the attractiveness of the UK's financial markets either now or in the longer-term. We also note in this context the recently published proposal of the European Council to allow EU Member States the option of delaying implementation of ESEF by one year.

We note the requests made by four respondents for greater clarity about the possible requirements for independent auditing of ESEF. This issue is not covered by this consultation and we understand the Department for Business, Energy and Industrial Strategy (BEIS) is continuing to consider whether any mandatory auditor reporting requirement should be introduced to apply after the end of the period of postponement of the ESEF requirements. Those interested should await further information from BEIS.

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## ESEF requirements for tagging notes to the annual financial statements

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**2.10** We asked the following question on our proposal to push back by one year ESEF requirements for tagging of notes to the annual financial statements.

**Q3:** *Do you agree with our proposal to delay by 1 year the mandatory requirement for issuers who prepare consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS) to publish notes to the annual financial statements with tagging in ESEF machine-readable format, as set out in the RTS?*

**2.11** We had 21 responses to this question.

**2.12** Eleven of the respondents supported a delay to this requirement for the same reasons that they had supported a delay to the ESEF requirements considered in Q1 and Q2 and the nine respondents who did not support a delay to ESEF requirements considered in Q1 and Q2 also did not support a delay to requirements for tagging of notes to the annual financial statements.

**2.13** However, one of the respondents who supported a delay to the requirements covered by Q1 and Q2 took a different view on delaying the requirement for tagging of notes to the annual financial statements. This respondent argued that this delay was unnecessary as issuers will have had plenty of time by 2022 to prepare and as the pressures caused by the coronavirus crisis may have subsided.

### Our response

We have decided to keep to the original timetable for the mandatory requirements for issuers who prepare annual financial statements in accordance with IFRS to tag notes to the annual financial statements. In doing so we took into account the desirability of putting the timetable for the implementation of ESEF overall back on to its original schedule. We think that this will help allay the concerns of those respondents who did not support a delay to the other ESEF requirements.

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## 3 Our decision

**3.1** In this section, we set out our decision and next steps

### Our decision

**3.2** Our decision following consultation is to proceed with our proposal to delay ESEF requirements for the publication and filing of machine-readable financial statements and tagging by 1 year, but not to proceed with our proposal to push back ESEF requirements for the tagging of notes to the annual financial statements by 1 year.

**3.3** The final requirements are set out in Table 1 below:

**Table 1: Timeframe for ESEF implementation**

Obligation	Original timetable	Timeframe proposed in CP 20-12	Final timetable
Annual financial reports for all issuers to be published and filed in ESEF machine-readable format	Financial years starting on or after 1 January 2020 (publication from 1 January 2021)	Financial years starting on or after 1 January 2021 (publication from 1 January 2022)	Financial years starting on or after 1 January 2021 (publication and filing from 1 January 2022)
Mandatory tagging requirements for issuers preparing IFRS consolidated financial statements	Financial years starting on or after 1 January 2020 (publication from 1 January 2021)	Financial years starting on or after 1 January 2021 (publication from 1 January 2022)	Financial years starting on or after 1 January 2021 (publication from 1 January 2022)
Requirements on issuers preparing IFRS consolidated financial statements to tag notes to the annual financial statements	Financial years starting on or after 1 January 2022 (publication from 1 January 2023)	Financial years starting on or after 1 January 2023 (publication from 1 January 2024)	Financial years starting on or after 1 January 2022 (publication from 1 January 2023)

**3.4** Under our decision:

- All issuers will be required to publish and file their annual financial reports in XHTML web browser format for financial years starting on or after 1 January 2021.
- Issuers preparing consolidated annual financial statements in accordance with IFRS will be required to tag basic financial information in their financial statements for financial years starting on or after 1 January 2021.
- However, the requirement for issuers who prepare IFRS consolidated annual financial statements to tag the notes to the annual financial statements will now be unchanged, applying to financial years starting on or after 1 January 2022, for publication from 1 January 2023.

**3.5** We have implemented our decision by amending the transitional provision in DTR TP 1 32R and Article 8 and Annex II of the RTS.

## Next steps

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- 3.6** Our final rules, which come into effect on IP Completion day, are set out in Appendix 1.
- 3.7** To allow issuers to submit annual reports in the ESEF standard, the FCA is upgrading its National Storage Mechanism facility, its online archive of filings by companies who are subject to the Transparency Directive and Listing Rules.
- 3.8** We currently anticipate releasing the upgrade in January 2021, ready for those issuers who wish to file reports in ESEF on a voluntary basis. More information will be available on the ESEF pages of FCA website as the project progresses.

## Annex 1

# List of non-confidential respondents

Amana Consulting GmbH

Arkk Consulting Ltd

BAE Systems

Black and Callow Ltd

CTRLPRINT UK Ltd

Datatracks

Deloitte LLP

Ernst and Young LLP

Falcon Windsor

Friend Studio

Institute of Chartered Accountants in England and Wales

ICSA The Chartered Governance Institute

UK BP

United Kingdom Share Society

XBRL international

## Annex 2

### Abbreviations used in this paper

<b>ESEF</b>	European Single Electronic Format
<b>EU</b>	European Union
<b>IFRS</b>	International Financial Reporting Standards
<b>PDF</b>	Portable Document Format
<b>xHTML</b>	EXtensible Hyper Text Mark-up Language



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# Appendix 1

## Made rules (legal instrument)

**TECHNICAL STANDARDS (ELECTRONIC REPORTING FORMAT)  
INSTRUMENT 2020**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) regulation 72 (Transfer of directive functions to the FCA) of the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019 (the “Regulations”), for the purposes specified in paragraph 31 (to specify the electronic reporting format for annual financial reports) of Schedule 2, Part 3 of the Regulations; and
  - (2) the following sections of the Financial Services and Markets Act 2000 (“the Act”) as amended by the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018:
    - (a) section 138P (Technical standards);
    - (b) section 138Q (Standards instruments); and
    - (c) section 138S (Application of Chapters 1 and 2).
- B. The rule-making powers listed above are specified for the purposes of section 138Q(2) (Standards instruments) of the Act.

**Pre-conditions to making**

- C. The FCA has consulted the Prudential Regulation Authority and the Bank of England as appropriate in accordance with section 138P of the Act.
- D. A draft of this instrument has been approved by the Treasury in accordance with section 138R of the Act.

**Modifications**

- E. The following EU Regulation is amended in accordance with the Annex to this instrument.

Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018
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**Commencement**

- F. This instrument comes into force on IP completion day as defined in the European Union (Withdrawal Agreement) Act 2020.

**Citation**



- G. This instrument may be cited as the Technical Standards (Electronic Reporting Format) Instrument 2020.

By order of the Board  
22 October 2020

## Annex

In this Annex, underlining indicates new text and striking through indicates deleted text.

**COMMISSION DELEGATED REGULATION (EU) 2019/815 of 17 December 2018  
supplementing Directive 2004/109/EC of the European Parliament and of the Council  
with regard to regulatory technical standards on the specification of a single electronic  
reporting format**

...

### Article 8

#### **Entry into force and application**

...

It shall apply to annual financial reports containing financial statements for financial years beginning on or after ~~1 January 2020~~ 1 January 2021.

...

### ANNEX II

#### **Mandatory markups**

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2. Issuers shall mark up all disclosures made in IFRS consolidated financial statements or made by cross-reference therein to other parts of the annual financial reports for financial years beginning on or after ~~1 January 2020~~ 1 January 2021 that correspond to the elements in Table 1 of this Annex.

...

#### Table 1

**Mandatory elements of the core taxonomy to be marked up for financial years  
beginning on or after ~~1 January 2020~~ 1 January 2021**

...

## Appendix 2

### Made rules (legal instrument)

**DISCLOSURE GUIDANCE AND TRANSPARENCY RULES SOURCEBOOK  
(ELECTRONIC REPORTING FORMAT) INSTRUMENT 2020**

**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 73A (Part 6 Rules);
  - (2) section 89A (Transparency rules);
  - (3) section 89C (Provision of information by issuers of transferable securities);  
and
  - (4) section 137A (The FCA’s general rules).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on IP completion day as defined in the European Union (Withdrawal Agreement) Act 2020.

**Amendments to the Handbook**

- D. The Disclosure Guidance and Transparency Rules sourcebook (DTR) is amended in accordance with the Annex in this instrument.

**Citation**

- E. This instrument may be cited as the Disclosure Guidance and Transparency Rules Sourcebook (Electronic Reporting Format) Instrument 2020.

By order of the Board  
22 October 2020

## Annex

**Amendments to the Disclosure Guidance and Transparency Rules  
sourcebook (DTR)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

<b>TP1</b>	<b>Disclosure and transparency rules</b>
	Transitional Provisions

(1)	(2) Material to which the Transitional Provisions applies	(3)	(4) Transitional Provision	(5) Transitional Provision: dates in force	(6) Handbook Provision: coming into force
...					
32	<i>DTR 4.1.14R</i>	R	<i>DTR 4.1.14R</i> applies in relation to a financial year of an <i>issuer</i> beginning on or after <del>1 January 2020</del> <u>1 January 2021</u> .	From <del>13 December 2019</del> <i>IP completion day</i>	From 13 December 2019
...					

