


European Single Electronic Format




What you need to know


1 **What is it?** - Article 4(7) of the Transparency Directive assigned ESMA the responsibility to draft a technical standard specifying a European Single Electronic Format (ESEF) under which all annual financial reports of issuers with securities listed on regulated markets shall be prepared.



2 **What format was selected?** - All annual financial reports shall be prepared in XHTML. Where the annual financial report contains IFRS consolidated financial statements, these shall be labelled with XBRL tags, which shall be embedded in the XHTML document using the Inline XBRL technology.




3 **Who is covered?** - The requirement covers all annual financial reports of issuers with securities listed on regulated markets (e.g. FTSE all share but not AIM) across all countries within the European Union. Overall around 7,000 companies are affected.



4 **Is the regulation finalised?** - ESMA has submitted a Final Report to the European Commission (EC). The EC has three months to decide whether to endorse the technical standard. Once endorsed it will enter EU law directly, likely before the end of the year.




5 **When would it be in place?** - The regulation shall apply to annual financial reports containing financial statements for financial years beginning on or after 1 January 2020. For the first two years XBRL tagging is only required for the primary financial statements; after this the notes will also need to be tagged (as a block). XHTML format will be required for the whole annual financial report from the start.




6 **So this would be after Brexit?** - The impact of Brexit on ESEF in the UK is not yet clear. However, if the regulation is endorsed in 2018 it simply gives form to a piece of the transparency directive (TD) in place since 2013. Current expectations are that UK requirements would be in line with the TD. Ultimately the extent to which these regulations can be repealed or even amended, will depend on the arrangements eventually made with the EU.




7 **So what does this all mean?** - For most listed companies this should mean that for 2020 year end annual reports a XHTML file will need to be produced with XBRL tagged primary financial statements. This would be the official TD version of the annual report to be sent to the national storage mechanism.




8 **Will this stop me producing a PDF or paper annual report?** - No, it will not prohibit either of these and the Companies Act still requires paper copies if so requested by shareholders. However, it does change the focus of the reporting process and the PDF will become the voluntary element.




9 **Is this XBRL stuff the same as we use for HMRC?** - No. Whilst most entities must file an iXBRL set of accounts with their tax return, this is done on an entity not a group basis. Furthermore the ESEF requires the use of an ESMA taxonomy based on IFRS which is not the same as those used either in the UK or USA. It is not currently envisaged that this file could be used to file to Companies House or SEC (for those with a dual listing).



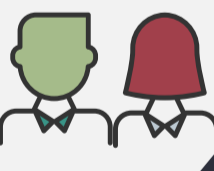
10 **Is XHTML the same as HTML?** - No. The ESEF file will need to conform to specific technical specifications, in iXBRL 1.1.



11 **What about audit?** - The requirement for audit (or not) is not part of the draft but subject to discussions and interpretations of the Commission and member states.




12 **What do I need to do about it?** - Start by reading the technical standard, speak to your advisors and service providers, read the Lab's report.



NB: The above has been produced as a helpful guide and is based on public information as at 4/Jan/2018. With all EU regulation it is subject to change and given the current uncertainty surrounding Brexit final adoption in the UK may be different than considered above.

Useful links



ESMA's ESEF webpage
<https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format>

The FRC Lab XBRL report
<http://www.frc.org.uk/getattachment/9279091c-a4e9-4389-bdd6-d8dc5563b14a/DigFutureXBRLDec.pdf>

The XBRL international website
<https://www.xbrl.org/>



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