



Corporate Governance snapshot: Reporting in structured electronic format

The UK Transparency Rules require listed companies to produce their annual report and accounts in structured electronic format in respect of financial years beginning on or after 1 January 2021. The new rules require listed companies publish their annual report and accounts in XHTML web browser format. They also require listed companies that produce consolidated financial statements in accordance with IFRS to electronically tag their financial statements (and for financial years beginning on or after 1 January 2022, the notes to those financial statements).



New requirements at a glance

Listed companies must prepare and publish their annual report and accounts in Extensible Hypertext Mark-up Language (XHTML) web browser format (DTR 4.1.14R). Listed companies that produce consolidated annual financial statements in accordance with IFRS must also mark up or tag their financial statements in accordance with one of the taxonomies approved for use by the FCA and for financial years beginning on or after 1 January 2022, they must also electronically mark up or tag the notes to financial statements.

These new requirements derive from amendments made to the EU Transparency Directive at a European level to introduce the European Single Electronic Format, or ESEF, for annual reports and accounts. The new format will make it easier for investors and other stakeholders to compare company results and accounts side by side.



XHTML format replaces PDF format for regulatory purposes

The new rules require listed companies to publish their annual report and accounts in XHTML web browser format. It is this XHTML version of the annual report and accounts that must be published and filed with the National Storage Mechanism (rather than a PDF version) within the prescribed period set out in DTR 4. In [Primary Market Bulletin No. 37](#), the Financial Conduct Authority (FCA) confirmed that producing and filing only a PDF version of a company's annual report and accounts no longer satisfy the requirements contained in the FCA's Transparency Rules (although we expect many companies to continue to produce more reader-friendly PDF versions of their annual report and accounts alongside the new XHTML copy).



Tagging of financial statements

Listed companies are required to electronically mark up or tag their financial statements (and for financial years beginning on or after 1 January 2022, the notes to those financial statements). The tagging must be done in accordance with one of the taxonomies approved for use by the FCA. These are set out in the [UK Transparency Directive European Single Electronic Format \(TD ESEF\) Regulation](#) and for financial years beginning on or after 1 January 2021 (but before 1 January 2022) are the 2019 or 2020 version of the European Single Electronic Format taxonomy or the 2021 or 2022 versions of the UKSEF taxonomy issued by the FRC (available [here](#)).



Annual report sign-off and interaction with audit process

The UK Government's [policy paper](#) on reporting in structured electronic format sets out its view that the electronic formatting requirements can be applied after the sign-off of the annual accounts by the directors. It also confirms that auditors are not required to report on the tagging of financial statements but companies may seek assurance from auditors on a voluntary basis.



Useful resources

The FCA has a [webpage](#) dedicated to the filing of structured electronic reports with the National Storage Mechanism and has published [guidance on the preparation of annual reports in structured electronic format](#).

The Department for Business, Energy and Industrial Strategy has issued a [policy paper on ESEF](#), setting out its views on the directors' sign-off of the accounts as well as its position on auditor involvement in review of tagging.

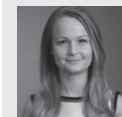
The Financial Reporting Council's Lab has also published a [study on structured electronic reporting](#) after reviewing reports produced by early adopters and a [list of additional resources](#).



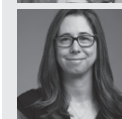
Checklist of issues to consider for reporting in structured electronic format

- Consider the process required to produce the XHTML version of the annual report and accounts, liaising with design agencies and other service providers as necessary
- Decide whether XHTML version will be produced once the PDF version is finalised, or whether the two formats will be produced in parallel. If producing the XHTML version based on a PDF version, adapt the PDF version as necessary (eg images, graphics and fonts) to facilitate conversion
- Select an appropriate taxonomy for tagging and ensure that correct tags are used
- Think about using a report from a prior year to test processes, approach and timings
- Plan ahead - the XHTML version of the annual report and accounts must be made available and submitted to the National Storage Mechanism within the period set for publication of the annual report and accounts under DTR 4.1.3

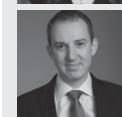
Key contacts



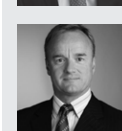
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