Financial Reporting Council

Opportunities for future UK digital reporting

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Foreword

The FRC has developed and maintained the UK taxonomies for over ten years. They provide a framework for making information available in a digital format in a high quality and consistent way. That information can then be used by different stakeholders in a way that minimises the burdens on business, and which supports economic growth. For instance, investors can access and compare consistent information for multiple entities to support their capital allocation decisions. Regulators can confirm that information provided to meet legal or regulatory requirements is fit for purpose. The speed and cost of carrying out these functions is dramatically reduced compared to information that is not held in a digital format.

The FRC recognises the importance of taxonomies and digital reporting to UK business – we have recently restructured to provide a team dedicated to this work, which is currently developing a strategy for inclusion in the FRC's next strategy, plan and budget. We also continue to work closely with partners in government and in other UK regulators to ensure that we are able to support the wider cross government strategies for digital and data. This is critical if we are to deliver on our objective of helping to maintain the attractiveness of the UK as a place to invest and do business.

This discussion paper has been prepared to support a discussion with our stakeholders about how we continue to develop the taxonomies and further enhance the benefits that they offer. This requires preparers, market participants, software vendors, policy makers and taxonomies to come together to determine what the next steps should be. In an age where market intelligence, information and data are ever more important for both decision making and monitoring outcomes it is important that we take the opportunity to set a strategy for the UK taxonomies that will continue to deliver benefits to business for the next ten years.

Mark Babington
Executive Director, Regulatory Standards

Executive Summary

This paper brings together company law, accounting standards, transparency in UK regulated markets, and computer code, and how they interact. Despite the complex nature of the subject matter this paper aims to be accessible and understandable to all.

All organisations report business and financial data. Traditionally, they have done this in a paper format but increasingly are reporting digitally. Digital reporting has been a part of UK disclosure processes since 2011, when HMRC and the FRC pioneered its use for companies to send their Company Tax Returns online using XBRL for accounts and computations. Every year since, the importance, scope and requirements of UK digital reporting have grown and it now encompasses disclosures to Companies House, FCA, Charity Commission of England and Wales, and the Irish Office of the Revenue Commissioners.

The FRC enables the creation of digital reports through the XBRL Taxonomies project. It is the collective group of technical and policy experts from regulators, agencies, arms-length bodies, software vendors, and professional services, who manage the process that turns laws and accounting standards into computer code, or taxonomies.

Taxonomies make it possible to digitally disclose information in a standardised way that is intended to reduce the burden and costs to businesses by creating a clearer and more user-friendly process for regulatory reporting; creating more efficient and effective regulation and regulators; and improving the accuracy, comparability, accessibility, and value of reported data for investors and other stakeholders. As the need for the Taxonomies project has increased in scope, the FRC has been at the centre, shaping these conversations and empowering the members of the Taxonomies project to achieve their digital reporting goals.

The last four years have fundamentally changed the policy landscape that affects digital reporting. Following the UK's exit from the European Union, the FCA have the ability to consider how they could potentially modify their requirements in Disclosure Guidance and Transparency Rules (DTRs) for annual reporting in digital format for UK regulated markets (which were originally derived from EU requirements under the Transparency Directive and the European Single Electronic Format (ESEF) regulation) to meet the needs of their stakeholders.

Additionally, following the passing of the Economic Crime and Corporate Transparency Act last year, Companies House is undergoing an all-encompassing legislative and operational transformation, which the Government describes as “the biggest change in the role of the Registrar since it was created in 1844”. The Act provides Companies House with the power to mandate digital filing of company accounts via its Registrar’s Rules so that it can check, reject, and improve the quality of data on the Register. Once Registrar’s Rules and secondary legislation are written, Companies House will require company accounts to be ‘fully tagged’.

The purpose of this Discussion Paper is to seek feedback on how these changes in policy might be implemented. It is an opportunity to influence the policy direction of digital reporting in the UK.

We are seeking feedback on a wide range of topics, including:

- Scope and extent of digital reporting requirements;
- Assurance of digital reports;
- Developments in XBRL taxonomies; and
- Guidance needed by users.

As digital reporting becomes even more widespread in the UK and internationally, it is important that policy decisions lead to the production of valuable and high-quality data that is useful to investors, analysts, regulators, and others. No specific decisions will be taken as a result of this Discussion Paper, instead responses will inform our thinking on the technical and practical implications of policy decisions. This may result in future consultations from specific regulators or agencies on the implementation of digital reporting requirements.

Introduction

What is digital reporting?

Traditionally, financial and non-financial information contained in an entity's Annual Report and Accounts has been prepared in paper-based or static electronic formats (e.g. PDF or Word files) using traditional accounting software, spreadsheets and manual data entry. These reports have been shared with stakeholders by post, email and on websites. They are principally intended to be read by humans and will usually require manual effort and technical expertise if consumers want to extract, analyse or compare information within or across reports.

By contrast, digital reporting makes use of technology to streamline the reporting process, improve data accuracy and quality, reduce burdens on markets, enhance transparency, and enable easier access to, and sharing of, information for stakeholders. Digital reports are prepared and presented in structured, machine-readable digital formats using specialist software designed for this purpose. Digital reports are shared electronically through dedicated reporting portals, regulatory databases, or other secure online platforms, facilitating faster and more efficient data exchange between entities and stakeholders.

The history of digital reporting in the UK

Since 2011, UK regulators, agencies, and government departments[1] have increasingly required filers[2] to digitally report financial and non-financial information in the Extensible Business Reporting Language (XBRL)[3], and, later, iXBRL[4]. This began with HMRC's original mandate for companies to send their Company Tax Returns online using XBRL for accounts and computations, and, most recently, includes the Economic Crime and Corporate Transparency Act 2023 and Corporate Transparency and Register Reform white paper's comprehensive digital mandate for all submissions to Companies House. FCA Disclosure and Transparency Rules (originating in EU legislation) also now require IFRS financial statements within annual financial reports to be published in a structured digital format and filed in the FCA's National Storage Mechanism which is accessible to the public.

[1] From this point on, we use the word "regulators" to collectively cover those signed up to the FRC's Taxonomies project: Companies House, FCA, HMRC, the Charity Commission for England and Wales, the Irish Revenue.
[2] This paper discusses broad topics that apply to all that are responsible for preparing digital reports. For the sake of readability we use the word "filer" generically to cover the range of preparers of digital reports (i.e. listed and unlisted businesses, charities, banks, insurance companies etc.). Where further granularity is necessary, we describe the specific type of filer that would be affected.
[3] XBRL is the open international standard for digital business reporting.
[4] iXBRL is a hybrid format that combines both HTML (the language webpages are written in) and XBRL. It is designed to make XBRL data human-readable directly in a web browser while retaining the machine-readability of XBRL.

The purpose and benefits of the transition away from paper reporting towards digital reporting, which vary by different regulators' remits and requirements, include:

- reducing the burden and costs to businesses by creating a clearer and more user-friendly process for regulatory reporting and digital disclosures[5];
- creating more efficient and effective regulation and regulators;
- improving the accuracy, quality, accessibility, and value of reported data[6];
- providing participants of UK regulated markets, including investors and issuers themselves, with enhanced transparency and usability of data on issuers of securities, with the goal of ultimately reducing the costs of capital for issuers; and
- enhancing transparency and usability of data filed in the publicly available company repositories such as at Companies House.

Ultimately, transitioning to digital reporting should support stakeholders to make more efficient, evidence-based decisions, using an established bank of consistent and reliable digital information, disclosed by preparers. This meets the ambitions of the UK Data Strategy[7], supports UK regulators in delivering their respective digital strategies and improves the UK's economic growth and international competitiveness.

The first phase of the transition focussed on the adoption of digital reporting by UK regulators, the digitisation of financial information in the Annual Report and Accounts and laying the legal groundwork for mandation and enforcement. As part of this, the FRC has led the cross-regulator project to digitise UK corporate reporting standards and regulations into digital dictionaries, called "taxonomies". These contain the tags filers to UK regulators need to fulfil their reporting requirements under the applicable legislation, regulations, and standards[8] [9].

Regulators joined the FRC's Taxonomy project on an ad-hoc basis throughout the first phase and its membership now includes Companies House, the FCA, HMRC, the Charity Commission for England and Wales, the Irish Revenue, as well as members of staff from relevant professional services, software vendors, and industry groups. As such, digital reporting in the UK can currently be thought of as a "hub and spoke model" with the FRC at the centre, responsible for considering the full range of stakeholders and their needs. It is in this spirit that regulators are supportive of the

[5] Recognising that there are also some costs to issuers incurred from creating digitally formatted documents.
[6] The FRC Lab published implementation studies in 2023 and 2022 on the lessons learned from mandatory structured digital reporting under the Transparency Directive ESEF regulation, in part covering this point.
[7] Most specifically, improving the quality of data by ensuring it is recorded in standardised formats on modern, future-proof systems and held in a condition that means it is findable, accessible, interoperable, and reusable, thereby enabling better insights and outcomes from its use.
[8] XBRL is used internationally by countries all over the world for this purpose, although each is at a different stage of the digital reporting journey. IFRS have published a helpful Introductory article which briefly describes other jurisdictions' digital reporting practices.
[9] For FCA digital reporting rules, aspects of digital reporting originated in EU standards, and there remains a link to EU-produced taxonomies alongside the FRC's Taxonomy Suite for regulatory reporting by companies to the FCA.

FRC taking the lead on this Discussion Paper to initially explore what wider work might be needed to meet the goals of the transition to digital reporting.

What is the purpose of this Discussion Paper?

In 2024, we are moving into a new phase, in the light of the post-EU Exit legislative landscape and the possibility of divergence from European reporting requirements, the passing of the Economic Crime and Corporate Transparency Act 2023, the arrival of global sustainability and other narrative reporting, and the ongoing digital transformations of HMRC, Companies House and the Charity Commission. Each of the Regulators is in the early stages of considering significant and substantial changes regarding their digital filing requirements. The Regulators recognise the benefits of the joined-up discussions they are able to have as members of the FRC Taxonomies project and are committed to working together to solve the challenges of the next phase of digital reporting in the UK. The Discussion Paper is a collective effort to ask initial steering questions about how the consortium might collectively reach the end goal of reliable, evidence-based digital decision making as efficiently and effectively as possible.

No specific decisions will be taken as a result of this Discussion Paper at the FRC or at any of the Regulators; instead the Regulators will be able to inform their future workplans with feedback on the technical and practical implications of the fundamental areas of discussion and, by extension, the strategic development of the UK Taxonomy Suite.

In the following sections we will present the topics for discussion from the points of view of the different relevant regulators, with the aim of considering the responses from the following types of stakeholders (non-exhaustive and in no special order):

- preparers and filers of digital reports;
- market analysts and investors;
- software vendors;
- data providers;
- data and intelligence analysts;
- accountants, accountancy bodies and other finance professionals;
- government and regulators not signed up to the FRC's Taxonomy project;
- public bodies and proxies for public interest;
- charity trustees and other stakeholders in the Charity sector;
- academics; and
- members of the public.

How to reply to this Discussion Paper

Please email your responses to XBRL@frc.org.uk by 1 November 2024.

All responses will be acknowledged. We expect to make responses publicly available on the FRC website unless respondents specifically request otherwise. If you send an email response which includes an automatically generated notice stating that the content is to be treated as confidential, you should make it clear in the body of your message whether you wish your comments to be treated as confidential. We will process personal data in accordance with UK data protection legislation.

Stakeholder feedback will input into regulators' future discussions, both within the FRC Taxonomies project and internally at each of the Regulators, and potentially support them in making decisions on taking further action moving forward. Stakeholders are encouraged to answer the questions they feel most comfortable answering. We recognise that the topics covered have a range of technical and legal complexity; however, since the ultimate aim of digital reporting is to make reported information more accessible and easier to understand, we welcome all viewpoints from all stakeholders at this stage.

Where applicable, feedback will be shared with the relevant other Regulator(s) unless the consultation participant specifically asks for the feedback to be retained by the FRC.

Structured digital reporting post EU Exit

Scoping statement

This section of the Discussion Paper is relevant to companies with securities admitted to UK-regulated markets who are required (under the FCA's Disclosure and Transparency Rules) to prepare, publish, and file in the FCA's National Storage Mechanism their annual financial report with the financial statements in the 'structured digital format'.

Context

These FCA requirements for structured digital reporting by issuers originated in the EU's ESEF[10] legislation that came into force pre-EU Exit. The ESEF legislation uses the IFRS Foundation's taxonomy to create the 'ESEF' taxonomy, and the legislation is routinely updated to keep pace with the Foundation's taxonomy updates. ESMA publishes a digital version of the ESEF taxonomy alongside applicable guidance materials.

Under the FCA's post-EU Exit requirements, in-scope issuers are instead required to use a taxonomy that is 'generally accepted in the UK for financial disclosures in regulated markets' under DTR4.1.18R(2). The FCA has published guidance in a Technical Note that indicates which taxonomies will meet this rule. In practice, issuers still currently need to use the ESEF taxonomy to discharge their obligations, although they also have the option the use the FRC's UKSEF 'approach' which incorporates the ESEF taxonomy.

This reliance on the ESEF taxonomy is sub-optimal because:

- Following EU Exit, the UK has no role in the ESEF legislation, taxonomy or supporting materials provided by ESMA (e.g. the ESMA manual); and
- FCA policy for corporate digital reporting and potential further expansion to digital reporting in other areas, such as sustainability reporting, or views on how tagging should be structured, may diverge over time from the EU, and this may create friction or incompatibility with reliance upon an EU-produced taxonomy.

At the same time, the FCA considers there to be potential benefits to issuers and market participants in continuing to use a taxonomy based on that set by the IFRS Foundation and considers the ability for market participants to extract and compare data across a number of issuers (including those listed in overseas jurisdictions) to be an important element in achieving benefits of digital reporting. As such, running implicitly alongside each of the discussion points below, is the consideration of how software might extract information and enable comparisons between a range

[10] The European Single Electronic Framework (ESEF) taxonomy is the EU's version of the IFRS Foundation's IFRS Accounting Taxonomy, which is set out in the EU TD ESEF RTS and described therein as the 'core taxonomy'. This is amended regularly (usually annually) to track the latest IFRS Accounting Taxonomy which is issued around March each year. It is supported by a digital version of the taxonomy and related guidance materials published by ESMA.

of digital reports, each using a different taxonomy that has a different approach to tagging similar, or equivalent, datapoints.

The FCA is therefore keen to explore whether the FRC should:

- Offer an alternative taxonomy to ESEF, either by using the IFRS Foundation taxonomy directly or issuing a UK version of it, or whether issuers would prefer to use the FRC's existing UK-IFRS taxonomy, and what the consequential impacts of this might be; and
- Subject to views on the first point, explore what changes to the current digital reporting format or filing requirements could be made versus the current requirements linked to ESEF, and / or where the FCA might consider extending digital reporting to other types of regulatory market disclosures in due course.

Alternative taxonomies

The first question is to consider whether an alternative taxonomy should be based on the IFRS Foundation's taxonomy or the FRC's UK-IFRS taxonomy and who benefits from the alternative approaches (recognising that preparers and end-users will offer different perspectives and may have different preferences).

IFRS Foundation Taxonomy

Using the IFRS Foundation taxonomy would ensure alignment with internationally recognised standards and facilitate comparability and consistency with other users of the IFRS taxonomy (notwithstanding the points below) including those preparers who use the ESEF taxonomy and minimise regulatory change for preparers currently subject to FCA rules and the associated costs. This includes investors seeking to compare issuers with securities on UK regulated markets to overseas-listed companies if they also report digitally under an IFRS-based taxonomy, recognising that many investors deploy capital on a global basis.

It would recognise that issuers with securities admitted to UK regulated markets are not necessarily UK-incorporated and may prepare their annual financial statements in accordance with an 'equivalent' IFRS (rather than UK-IFRS). UK-incorporated companies may also prefer international comparability if that supports the realisation of the benefits to them. So there may be more benefits (fewer frictions) from a taxonomy more directly linked to the IFRS Foundation's taxonomy with the flexibility of being suitable for all IFRS-preparers.

UK-IFRS Taxonomy

By contrast, the FRC's UK-IFRS taxonomy is tailored to the UK's specific reporting environment and offers greater relevance and alignment with UK reporting practices. UK-incorporated preparers may also prefer a single taxonomy for preparing their financial statements for different UK regulators (i.e. Companies House and/or HMRC) if it reduces costs and regulatory burden.

In practice, the design of the UK-IFRS Taxonomy (and the UK Taxonomy Suite) differs from the IFRS Foundation Taxonomy in three ways:

1. It is presented in the order of an annual report: basic report information, the Directors'/Strategic Report, Audit Report, Accountant's Report, Financial Statements, Notes and Detailed Disclosures. This supports users to find the tags appropriate for their disclosure needs as they work through their report. The IFRS Foundation taxonomy is presented in the order of the standards, requiring users to have a thorough understanding the content of the standards and how they are represented in the taxonomy to find and apply the correct tags for their use case.

2. The tags in the IFRS Foundation taxonomy cover a broader description of possible disclosures to support the objective of general purpose financial reporting. Where preparers want to disclose specific or detailed information, or where they have aggregated or disaggregated concepts in their reporting, they may need to create their own tags to do so (readers are referred to the "Approach to extensions and anchors section", below, for a more detailed description of the impact of extensions on quality and comparability of digital reports).

   By contrast, the UK-IFRS taxonomy does not allow users to create their own tags if they do not already exist in the taxonomy[11]. It is more granular than the IFRS Foundation taxonomy and provides for a greater range of possible disclosures, with particular focus on the unique characteristics of particular sectors (for example, there are a comprehensive range of tags covering items unique to the extractives industry). If a tag does not exist in the taxonomy, there are catchall "Other item of…" tags to support users. These are reviewed annually with the Regulators receiving digital reports and, where a case exists[12], new tags will be added to the Taxonomy Suite to replace them with more useful tags.

3. In any taxonomy, each tag has a "references" attribute. This allows creators of taxonomies to explicitly name the standard that the tag represents. In the UK Taxonomy Suite, tags have references to both UK Financial Reporting Standards and relevant international standards (e.g. IAS, IFRS etc.). Users of the UK taxonomies, or consumers of reports tagged with the UK taxonomies, can use these references to draw comparison points between tags in other taxonomies, or datapoints tagged using other taxonomies. The IFRS Foundation taxonomy has substantially more references to international standards and work could be considered to add more of these references to the UK-IFRS taxonomy if users thought it useful in supporting further comparability.

[11] This design choice was intentionally made at the outset of the Taxonomies project in 2011 at the request of HMRC and Companies House as they identified the limitations of extensions in enabling users to easily and efficiently compare reports and datapoints.
[12] One of the Taxonomy project objectives is that it is not practical to define tags to cover every eventuality or item which may be reported in annual reports. Suggested additions to the taxonomy are reviewed to assess if they may not be in scope for detailed tagging. This will be because they are very varied in content and form across companies, highly specialised – either in general or for the sector concerned, or not expected to be a high priority for analysis by likely users of accounts.

Impact of introducing an alternative taxonomy

Introducing an alternative to the ESEF taxonomy has the potential benefits of improving the timeliness and certainty of taxonomy releases. Currently, any next version of the ESEF taxonomy is dependent on the IFRS releasing their taxonomy first (usually in March); only then can the process for creating the ESEF taxonomy begin. Previously, this dependency has resulted in delays to the expected release timeline for the next version of the ESEF taxonomy, creating uncertainty for UK issuers and software vendors, who must wait for the EU process to unfold and cannot directly influence it.

By contrast, the UK Taxonomy Suite is updated on a fixed annual cycle, publishing its Taxonomy Suite in October each year, reflecting any changes to UK GAAP and UK-endorsed IFRS from the previous 12 months. The UK Taxonomy Suite does not have a dependency on the IFRS releasing its taxonomy because it is not based on the content of the IFRS taxonomy. Regardless of whether an alternative, UK-specific taxonomy was based on the IFRS Foundation's taxonomy or the FRC's UK-IFRS taxonomy, it could be updated more swiftly than the EU's ESEF taxonomy, increasing certainty for UK issuers and software vendors.

Moving away from using the ESEF taxonomy and its related infrastructure may, in practical terms, offer more flexibility in how digital tagging is applied to financial reports, and the expansion of digital tagging to other disclosures. This flexibility would be beneficial in areas such as sustainability reporting or new tagging domains, where the UK may wish to lead, or differ from, EU standards.

However, a taxonomy that is bespoke to UK-IFRS may not be best suited to overseas issuers who prepare their financial statements in accordance with an equivalent IFRS (i.e. EU IFRS or IASB IFRS) in discharging their DTR obligations (as applicable). In this context, we note that UK-IFRS may diverge from EU-IFRS over time as the UK has its own endorsement process for UK-IFRS post EU Exit. Additionally, moving away from the ESEF taxonomy could potentially affect the international comparability of annual financial statements. Notwithstanding the point above on the use of references attributes, this is particularly true if the FRC's UK-IFRS taxonomy is chosen, which is based on IFRS standards but not the IFRS Foundation's taxonomy.

Transitioning away from the ESEF taxonomy to a UK-specific system would require careful planning, execution and sufficient time for issuers to prepare for this change. Switching to a different taxonomy may be disruptive for issuers but remaining aligned with the IFRS Foundation's taxonomy may be less disruptive for those who have already adjusted their reporting systems to use the ESEF taxonomy in discharging their existing DTR obligations.

Q: What criteria should be prioritised in moving away from the ESEF taxonomy for DTR purposes? Please describe which taxonomy is preferred and why.

If the IFRS Foundation’s taxonomy is used as the starting point for an alternative taxonomy:

Q: Which types of content should the FCA add as a UK ‘top-up’?

Q: What are the benefits, risks, and challenges of:

- providing the top-up content in a separate taxonomy used together with the IFRS taxonomy as issued by the IFRS Foundation; compared to
- combining the top-up content with the IFRS taxonomy in a UK wrapper?

Q: What are the perceived current limitations for software attempting to make digitally reported information comparable between different jurisdictions and requirements? How might these best be tackled with the goal of ensuring useful comparability?

Q: What role would external software vendors and technical solution providers play in a move away from the ESEF taxonomy? What are the benefits, risks and challenges arising from this?

Potential changes or extensions to structured digital reporting to support regulatory disclosure initiatives

Proposing an alternative taxonomy to support reporting for the purpose of FCA Rules would have even greater value if practical changes are proposed or may be reasonably foreseeable in future to illustrate how the UK might take a different path to the EU and ESMA on some key matters that better suit UK markets[13]. Such changes, where identified, may bring more material benefits for market participants in the UK aside from a generalised benefit of having more control over the process to update taxonomies and, as a matter of principle, ceasing to rely on the EU ESEF taxonomy and ESMA materials to which FCA guidance points to as 'generally accepted taxonomies' for the purpose of complying with FCA rules.

In practice, any of the proposed changes below would be subject to future FCA rule-making processes and related legal obligations under the Financial Services and Markets Act. In particular, FCA considers that tagging should be prioritised where it supports transparency for market participants on matters that will inform efficient pricing and investment decisions.

Approach to detailed tagging of notes

Block tagging of notes to the financial statements was incorporated into EU rules as a compromise between the aims of providing users with digital information that goes beyond the primary financial statements whilst avoiding the tagging workload involved in full tagging of notes to the financial statements. Since its introduction, block tagging has been contentious: software vendors have found the concept difficult to implement, as the guidance is perceived to be ambiguous in response to the granularity of the notes and the implementation of nested tagging, and there are challenges from preparers about how to block tag in a way that discharges their obligations. The benefits of ESEF block tagging are, as yet, unproven as this element of the requirement has only been mandatory from 2022 calendar year-end annual reports.

Moving away from a block tagging approach could reduce burdens for business by providing a clearer method for tagging notes to the financial statements, and support users of the information by providing relevant, accurately tagged data. If a different approach is taken, it will need to be informed by how different stakeholders use the detailed information in the notes, what information they find useful to qualify the information in the statements, how the notes support them to answer questions about a specific company or across a range of companies, and an appreciation for the limitations of adding tags to long pieces of text.

Approach to extensions and anchors

Under EU rules, extension tags are used where there is no matching tag in the ESEF taxonomy for a particular disclosure. Extensions are required to be linked to closely related tags from the core taxonomy ('anchored'), to help users understand their meaning. The FRC implementation studies on

[13] Although, in principle, there is FCA support for tagging where part of international disclosure standards i.e. future taxonomy to support ISSB sustainability standards.

structured digital reporting under the Transparency Directive ESEF regulation note that companies may create extensions where they are not needed and that the overall quality of anchoring is low. Additionally, filers may apply extensions one year and not in another, or change the label or anchors used. Taken together this reduces the quality, accuracy, and usability of the disclosed data as it relies heavily on the subjective choices of preparers.

The FCA's rules do not explicitly impose these obligations (in 2023 the FCA relocated the key provisions from the ESEF regulatory technical standard into the DTRs, but not the Annex 4 rules which are bespoke to the application of the ESEF taxonomy). However, practically speaking, issuers will need to follow this approach when using the ESEF taxonomy.

We consider there may be benefits in moving away from this approach to extensions and anchoring to improve comparability between digital reports. One possible solution would be to disallow extensions. For example, extensions are not used in the FRC Taxonomy Suite as it is created with the HMRC full tagging mandate in mind; where tags do not exist and there is a need to create them, they are identified by regulators who need them and then taken through the FRC Taxonomy project's due process. In this way, tags are easier to search, navigate and compare as all preparers work from the same set of tags and cannot deviate from them.

Another potential approach to extensions is to not require extensions to be anchored to other concepts in the taxonomy, which is the approach the US Securities and Exchange Commission takes. This removes issues where preparers have anchored their extensions to the incorrect concept in the base taxonomy and gives preparers more freedom to define the meaning of the information they are disclosing. However, it does not mitigate the issue where preparers create extensions where they are not needed and creates an issue where each extension must be understood on its own terms and context.

Tagging of other information within the annual report

An alternative taxonomy may offer more flexibility as a basis for expanding required tagging to other areas of the annual report outside of the financial statements, including, but not limited to:

- Diversity and inclusion information[14];
- Other Sustainability reporting, including UK-endorsed ISSB standards, subject to any future FCA consultation on such rule changes to incorporate these standards; and
- Concepts available in the FRC Taxonomy Suite but not in the ESEF Taxonomy.

Tagging of information beyond the annual report

Possible further areas to expand tagging could include:

- Tagging of interim financial information;

[14] Tags were created for these disclosures in the 2023 FRC Taxonomy Suite although they cannot currently be used to report to the FCA as they are not part of the ESEF taxonomy.

- Tagging of prospectus financial information; and
- Tagging of other sources of regulated information required by FCA Listing Rules, DTRs or the UK Market Abuse Regulation.

Q: Given the FCA's focus on transparency and efficient market pricing:

- what divergences from ESMA's approach do you think would be most beneficial, and why?
- what new types of information, both within and beyond the annual report, should be prioritised for tagging, and why?

Q: What information contained in the notes to the financial statements do you find most useful? Are there specific datapoints that you think would be useful if applied to all in-scope companies?

Q: What are the potential benefits and costs of changing the approach to block tagging of notes to the financial statements? How might this impact the consistency and comparability of reported data?

Q: What are the potential benefits and costs of changing the approach to extensions and anchoring? How might this impact the consistency and comparability of reported data?

Assurance of UKSEF tagging

In the UK, there is no requirement to provide assurance over the digital tagging of the financial statements. This is in contrast to the position taken for EU member states.

In the UK, the issuer is permitted to seek voluntary independent assurance over the digital tagging of the financial statements outside of the audit, and the entity's statutory auditor is permitted to provide this service as long as the requirements of the Ethical Standard are complied with. The FRC has adopted ISAE (UK) 3000 since 2020 to support the delivery of these voluntary engagements, though in practice, only a few such assurance reports have been published since then.

If there are to be changes proposed to the rules governing the use of the UKSEF and ESEF, it will be helpful to also consider whether a potential change to the present position on independent assurance is proposed to make it mandatory. We are therefore interested in views on whether an assurance regime over the digital tagging of audited financial statements that are published under FCA DTR requirements, or filed in this format with Companies House, would be valued in the UK and whether it should be mandatory. If so, we would also be interested in hearing from stakeholders on what type of assurance regime would be preferred, how and when it should be introduced, and what the associated costs would be for preparers. However, there may be benefits from requiring assurance in due course as, in general, it can support improved compliance levels and quality of tagging[15].

If this were to be considered in future, it would be subject to further consultation by the relevant regulator. Detailed proposals would need to consider how the introduction of mandatory assurance would best fit within the UK legal and regulatory frameworks, assess the benefits and costs of any change (taking into account the feedback), whether a requirement would apply to issuers who are based outside the UK and indicate a timetable for introduction. Alternatively, consideration of mandatory assurance could be deferred until any new UKSEF reporting requirements become established.

Q: Should we consider exploring mandatory assurance of compliance over the digital tagging of audited financial statements that are published under FCA DTR requirements? If so, would a requirement apply to all issuers or solely UK based issuers?

Q: What do you consider to be an appropriate scope for the assurance work (e.g. complete or sample-based checking, reliance on internal systems and controls, external assistance around the compilation process), and why?

Q: What would you consider to be material in the nature and scope of the opinion, the level of comfort that is given and to whom?

Q: Do you think that assurance should stem from legal requirements akin to statutory audit? Or from FCA rules in the same way as auditor review of corporate governance matters for premium listed companies? Please explain your reasoning for any preferred approach.

Renaming the UK Single Electronic Framework (UKSEF)

Following EU Exit, the FRC created a UK-specific version of the European Single Electronic Format (ESEF) taxonomy for the purposes of supporting filing of digitally tagged annual financial reports to Companies House, where the digital version had been prepared by the issuer to meet its ESEF obligations, whether in the UK or the EU. The initial approach was to intermingle the ESEF and UK taxonomies into a single taxonomy and, accordingly, the name “UKSEF” was adopted to indicate the purpose of the new combined taxonomy.

However, as ESMA clarified and expanded its Reporting Manual, it became clear that a different approach was needed[16] and, in 2023, the ESEF and UK-specific concepts were split into separate taxonomies that make use of iXBRL’s multiple target document feature and can be correctly

[15] For more information, please read the FRC Lab’s papers on structured digital reporting: https://www.frc.org.uk/library/frc-lab/themes/technology-and-digital/

[16] The merging of EU and UK taxonomies is, at its heart, a technical problem because the solution needs to meet two different sets of technical rules in order for the UKSEF taxonomy to meet its stated purpose of enabling dual filing under both ESEF and UK obligations. The issue stemmed from how the UKSEF taxonomy design made use of the filer’s extension taxonomy in a way that contravened ESEF technical rules, meaning files created using UKSEF could not be submitted to ESEF-compliant gateways without certain rules being waived. The solution ultimately chosen – multiple target documents – makes use of a part of the iXBRL standard specifically created to enable jurisdictional reporting and is already used by Denmark for the same purpose.

consumed by valid XBRL processors[17]. This eliminated the need for an explicit “UKSEF Taxonomy” extension completely and means that “UKSEF” is now an approach that enables the tagging of one report with two different taxonomies for two different regulators and regulatory requirements.

As such, the name “UKSEF” neither applies (as there is no longer a merging of European and UK taxonomies) nor makes logical sense (as there is not a “single electronic framework” for the UK). Therefore, we propose to rename “UKSEF” to something which better connotes its purpose and distinguishes it from the pre-multiple target document approach. One early suggestion is simply “UKEF” – the UK Electronic Framework.

Q: Do you agree that the name “UKSEF” should be changed to better clarify its purpose and method? If not, why not?

Q: Do you agree that the name “UKEF” is sufficient? What other names do you consider might be good candidates instead of “UKSEF”?

[17] Substantially more information about multiple target documents can be found in the UKSEF Tagging Guide 2024.

Structured digital reporting post Economic Crime and Corporate Transparency Act 2023

Scoping Statement

This section of the Discussion Paper is relevant to:

- any companies, (including charitable companies who are required to submit accounts information to Companies House under the Companies Act and its related legislation), in either digital or paper format;
- any companies in-scope of the **Structured digital reporting post EU Exit** section, above, who also file with Companies House in either digital or paper format;
- any companies filing their Corporation Tax for Company Tax Return (CT600) financial accounts and tax computations with HMRC in iXBRL format; and
- charities of any size wishing to understand more about digital reporting and the implications of the changing UK digital reporting landscape.

Context

HMRC has mandated full tagging of in-scope accounts since 2014: "preparers must tag items in financial reports for which a tag exists in the appropriate taxonomy. If no tag is available, the data concerned should simply be left as plain text". By contrast, Companies House has required a mandatory set of tags to be applied to every report (e.g. the Company Number (CRN), the Balance Sheet date, the Accounting Standard applied), with some additional tags required depending on the category of the accounts.

In October 2023, the UK Government's priorities to bear down on economic crime, tackle fraud and boost enterprise culminated in the passing of the Economic Crime and Corporate Transparency Act (ECCTA). The ECCTA is the result of 5 years of policy making following substantial consultations that demonstrated the clear consensus across business and professional groups, law enforcement agencies and civil society groups that company law needed to be reformed to meet the demands of a thriving and increasingly digitally-based 21st century economy.

To deliver the government's ambition, Companies House is in the process of transforming every aspect of its skills, culture, operating model, and services[18]. At the core of the ECCTA is the fact that successful reform will not be possible without this all-encompassing legislative and operational transformation, which the Government describes as "the biggest change in the role of the Registrar since it was created in 1844"[19].

[18] https://www.gov.uk/government/publications/companies-house-strategy-2020-to-2025/companies-house-strategy-2020-to-2025
[19] https://www.gov.uk/government/publications/corporate-transparency-and-register-reform/corporate-transparency-and-register-reform-accessible-webpage

The ECCTA introduced four new statutory objectives for the Registrars of Companies for England and Wales, Scotland, and Northern Ireland[20], who now have a new duty to seek to promote these objectives when performing their function. The two most relevant objectives to digital reporting are:

- to ensure that anyone who is required to deliver a document to the Registrar does so (and that the requirements for proper delivery are complied with); and
- to ensure information contained in the register is accurate and that the register contains everything it ought to contain.

The future requirements for accounts filings are described in the White Paper on Corporate Transparency and Register Reform and will be formalised through secondary legislation and the creation of Registrar's Rules in the near future. The requirements include:

- the Registrar to require all accounts to be filed digitally[21] and **fully tagged** using iXBRL;
- the removal of a paper filing option for most companies; and
- the Registrar to require all component parts of a filing to be delivered together to facilitate the digital filing of more complex accounts.

Definition of full tagging

Currently, Companies House and HMRC are in discussions regarding the term "full tagging" and its definition to ensure that it:

- applies to the full scope of possible information that now needs to be tagged[22];
- delivers on Companies House's objective to ensure that information contained in the register is accurate and that the register contains everything it ought to contain;
- enables Companies House to use its new powers to promote the integrity of the register;
- is harmonised, wherever possible, across HMRC, Companies House and Charity Commission, which may create more efficient regulation for companies that have to file with multiple UK agencies; and

[20] https://companieshouse.blog.gov.uk/2024/02/14/improving-the-accuracy-of-the-companies-house-register/

[21] Companies House has made a strategic commitment to become a fully digital filing service and has already begun work to move to software-only accounts filing, which will see the removal of all other filing routes for accounts, including webfiling and paper, in the near future: https://companieshouse.blog.gov.uk/2023/02/10/changes-to-accounts-part-1-moving-to-software-only-filing/

[22] The initial goal is for each financial element within the accounts will need to be tagged appropriately but the majority of possible disclosures are provided for in the Taxonomy Suite. For example, Streamlined Emissions and Carbon Reporting (SECR) and Task Force on Climate-Related Financial Disclosures (TCFD), Gender Pay Gap, Pay Ratio, and Diversity and Inclusion tags are all available in the taxonomies but, currently, not widely used. Additionally, further mandatory tagging is expected in the area of sustainability tagging, possibly using the ISSB taxonomy or a UK-endorsed version of ISSB sustainability standards.

- is clear, fair, and useful for preparers with regard to its application, across a range of specific scenarios and edge cases, to help identify any risks and mitigations.

The ambition of full tagging is to create a complete and quality dataset of financial and non-financial information, authentic and as similar as possible to the paper copy[23]. However, it is clear from discussions thus far that full tagging is not the correct term for this goal. "Full" tagging does not necessarily mean "quality" tagging: a set of accounts can be "fully tagged" but still be incorrect. "Quality" tagging is not without its own issues as a term – tagging either complies with standards or it does not. Given the need for digitally reported information to be comparable and interoperable, neither "full" or "quality" tagging implies "consistent" tagging, either within a single entity, across a range of entities, or across a range of taxonomies. Additionally, there are issues with terminology relating to "minimum" or "mandatory" tagging as this creates further ambiguity: "mandatory" tagging is what is required to get through gateways, but this does not mean "quality" or "complete" tagging of mandatory information.

Q: Do you think the term "full tagging" is sufficient to describe the expectations of preparers of digital reporting? What alternative terms would you suggest that support the ambitions of measurable quality, consistency, and completeness?

Q: How can regulators ensure that the full tagging process does not become overly burdensome, especially for smaller businesses and charitable companies, while keeping pace with new reporting requirements?

Ensuring the quality of "fully tagged" information

To properly define full tagging in a way which does move towards quality, consistency and completeness, the definition will need to be measurable in a way that avoids minimal or arbitrary tagging of "mandatory" information and supports the enforcement of the definition in a transparent manner. Registrar's Rules will only cover the form, manner, and authentication of full tagging (i.e. the ambition) and specify the definition of full tagging; additional techniques will be required to ensure the quality of the information in the report itself.

Normally, as part of the quality assurance process, digital reports are subject to checks called "validations". Validations can be done during the creation of the report, on submission to Regulators at their gateways, and/or after submission. Currently, there are ongoing discussions between HMRC, Companies House and Charity Commission regarding the validations and checks in place at their respective gateways, where these can be harmonised, and what additional validations or checks might be needed moving forward to support the full tagging definition. The expectation

[23] By definition, disclosures contained in the digital and paper copy cannot be completely identical. There are several reasons for this including the rare cases where a tag does not exist (possibly because it does not comply with the Taxonomy Objectives and Principles), where rounding issues create a tagging issue, and semantically because a printed disclosure is not the same as an XBRL tag with n-dimensions applied to it. Additionally, BEIS (now DBT) has previously issued guidance relating exclusively to ESEF (i.e. FCA) that the directors' confirmation that accounts meet the requirements of the Companies Act 2006, and give a true and fair view of the company's financial position, does not extend to consideration of the iXBRL tagging. At the time of publishing, no such guidance exists for digital reporting to Companies House or HMRC.

is that HMRC and Companies House will retain the validations and checks currently in place and add new ones, pre- and post-submission. These might include:

- Presence of specific tags not currently checked for;
- Numerical and arithmetic checks;
- Coverage/ratio of tagged information to untagged information; and/or
- Scores/RAG traffic light scales to guide preparers on where tagging could be improved.

At the same time, however, there is a need to ensure that there are not so many validations that it hinders filers from submitting their reports and creates undue burden on preparers, or encourages tagging that passes validations at the expense of accurately disclosing the required information.

Q: Do you have any suggestions on how tagging quality could be measured? To what extent should these checks be undertaken during report creation, on submission and/or post-submission?

Impact of full tagging on those reporting to Charity Commission England and Wales

There are circa 32,000 charitable companies on Charity Commission England and Wales (CCEW) register who will be in scope to file digitally with Companies House when this is mandated. They range in size from very small to very large but most are below £1m income.

Charitable companies currently have a choice to file either digitally or on paper to Companies House, with most filing on paper and some filing through the WebFiling service which will be withdrawn as part of Companies House reform plans. The remaining charities (approx.15%) already choose to file digital iXBRL accounts using accounting software. Charitable companies must also file PDF or paper versions of their accounts with CCEW and have 10 months to do so, instead of 9 months at Companies House.

The move to mandated digital filing in practice means that those charitable companies who are not already filing digitally will either have to purchase their own accounts filing software which has the capability to tag and submit iXBRL digital accounts, or their accountants/auditors will need to use similar software to do this for them.

The unique challenges that the charitable sector will face in engaging with digital technology, e.g., cost, skills gap/lack of expertise and access to professional services will need significant transitional support. This will include CCEW working with Companies House to engage with software providers to ensure products are available, affordable and fit for purpose.

This transition also presents a unique opportunity to explore how the move to digital reporting can reduce regulatory burden and bring efficiencies through sharing of the data; for example, charitable companies not having to file with both regulators and fewer Annual Return questions. In turn CCEW and other stakeholders could gain access to more structured and better quality charity data for risk profiling and analysis. On this last point, further opportunities are also emerging on the potential to share developments in digital data processing and analysis across government departments and regulators in order to create efficiencies, cost savings and reduce duplication where possible. CCEW encourage more collaboration in this area.

Q. Are there ways that the Charity Commission can support Companies House to introduce digital reporting for charitable companies in a way that is equitable and with due regard to the specific costs and burdens charities may face?

Q. What if anything can Charity Commission do to make the cost and filing burden on charitable companies more manageable through changes to their filing regime?

Supporting stakeholders

Identifying new stakeholders

The transition to full tagging is a significant shift in the policy objectives of Companies House, the need for and use of the UK Taxonomy Suite, and requirements for filers. In addition to the stakeholders who are currently involved in digital reporting and make use of existing support materials, we identify the following categories of stakeholder as having further support needs:

- Newly in-scope entities who have questions on meeting regulatory requirements. Small charities, in particular, may not have the means or the skillset to access and use modern technology and often rely on volunteers to provide accountancy services;
- New entrants to the software market who have questions on technical implementation;
- New entrants to the tagging market who have questions on what constitutes "high-quality" tagging from the point of view or preparing, assuring or auditing tagged documents;
- Market users of digitally disclosed data who have questions on access, use and format of digital disclosures across UK regulators; and
- Users who do not have English as a first language.

Existing support materials

We collectively recognise that there is a need to support the full range of stakeholders with educational materials that help them efficiently answer their questions with authoritative answers. Materials that come from, or in partnership with, UK regulators have an authoritative weight that third-party material cannot. These materials should reduce the burden on creators and receivers of digital reports, clarify digital reporting obligations, and ensure that preparers are able to deliver digital reports that meet the full tagging definition.

Currently, a wide range of documentation is available to support preparers of digital reports:

- Up-to-date regulatory and technical requirements are detailed on respective regulators' websites (e.g. HMRC, Companies House, FCA); and
- Taxonomy documentation is published annually on the FRC's website for both developers and users of the taxonomies.

Currently, work is completed each year to ensure these materials are linked together and changes in one are reflected in the others, where relevant.

Q: Do the current support materials cover the scope of what is required for each type of preparer? If not, what needs to be included that is not already there?

Q: How could the current support materials be improved?

Potential support materials

In addition to the existing support materials, we consider that there might be further support that could be offered. This would take an alternative format to a text document and, correspondingly, would use a different tone of voice that might be more accessible.

Possible examples could include:

- Examples of good, mediocre, and unacceptable tagging, including explanations;
- Best practices handbook that compiles advice, strategies, and tips for effective tagging;
- Resources developed for specific use-cases (e.g. charities);
- Multiple choice quizzes for the purpose of training and checking understanding[24]; and
- Resources developed in partnership with major accountancy bodies:

a) Webinars on broad and relevant topics;

b) Educational materials for trainee accountants;

c) CPD courses for qualified professionals; and

d) Roadmaps, infographics, and visual guides;

- Specialised chatbots making use of Artificial Intelligence/Large Language Models.

[24] For example, the Charity Commission recently launched a quiz to increase charity trustees' knowledge about their duties and responsibilities and drive a positive change in charities' governance.

Q: What support materials might be most useful to preparers and software vendors? How should we prioritise potential material, recognising finite resources across regulators to support digital reporting?

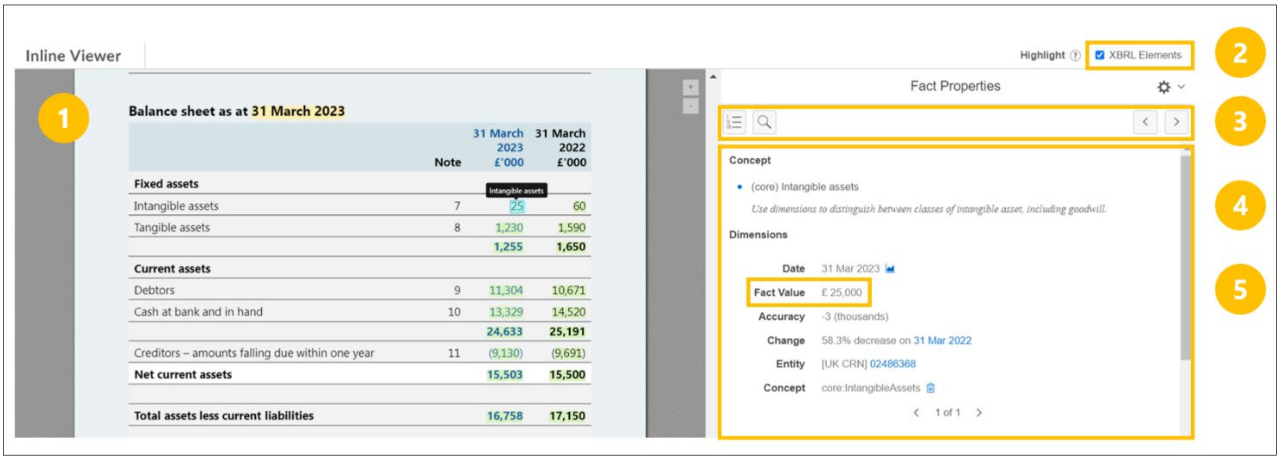
Q: How could tagging examples be developed to ensure that we do not create an unofficial “minimum” standard of tagging or a “pro-forma” approach to tagging?

Q: Other than tagging examples, what types of resources and feedback would be most useful in terms of helping preparers to understand the full tagging requirement, improve tagging quality year-on-year, and identify reporting which should be further investigated by regulators?

Appendix 1: What does a tagged digital report look like?

The purpose of this section is to demonstrate how preparers use taxonomies to tag their paper reports and to show some simplified examples of the output from that process. Normally, special software is required to do this, so we consider this section very useful for those starting on their digital reporting journey.

In [2022](#) and [2023](#), the FRC tagged its Annual Report and Accounts; we will use the tagged balance sheet as an example. Following these links will take the reader to a webpage which looks identical to the paper copy of the Annual Report but has the XBRL tags embedded – this is an iXBRL file[25]. These links also include a "viewer" element[26] which allows users to highlight tagged values in the report; navigate the tags using a document outline, the forward/back arrows or the search function; and see the values of the tags:



1. The Annual Report document – to a human this is indistinguishable from the paper report;

2. Tick this box to highlight tagged information in the document (the purple highlights in the image above);

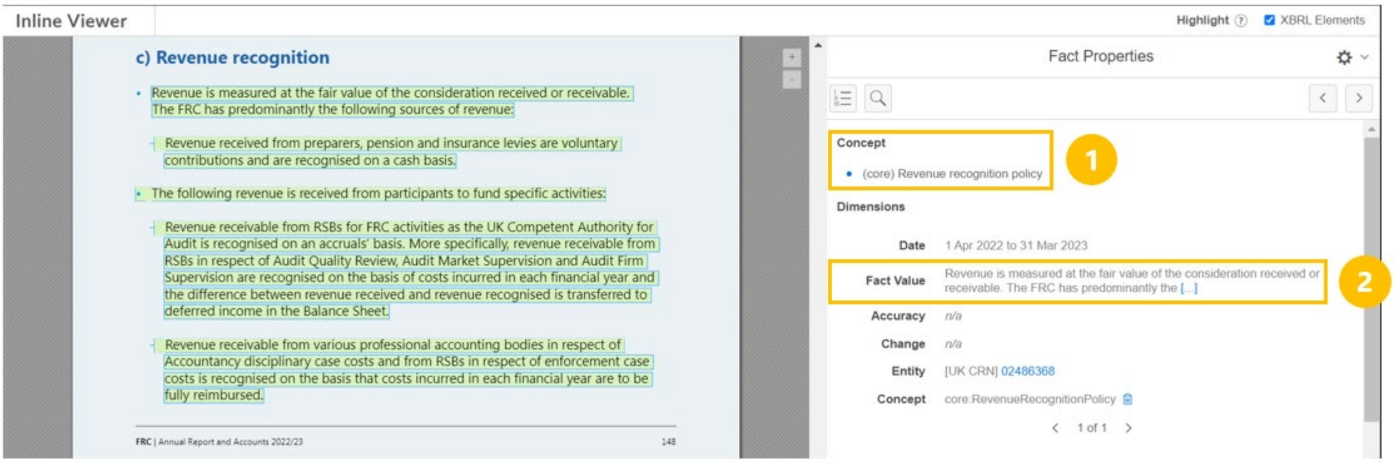
3. Navigation tools: document outline, search and previous/next buttons;

4. Information about the tagged information. This includes the name of the tag used (in this case, Intangible assets), period, an entity identifier etc.

5. The value and units of the tagged concept. In this case £25,000.

[25] XBRL is the open international standard for digital business reporting and is used to create machine-readable business data. iXBRL is a hybrid format that combines both HTML (the language webpages are written in) and XBRL. It is designed to make XBRL data human-readable directly in a web browser while retaining the machine-readability of XBRL.
[26] This "viewer" is a simple way to show tagged information to humans and is very useful for this example. In practice, however, advanced users of digitally disclosed information will use XBRL-specific software or other computer programs to extract this data.

Tagged narrative information looks very similar:



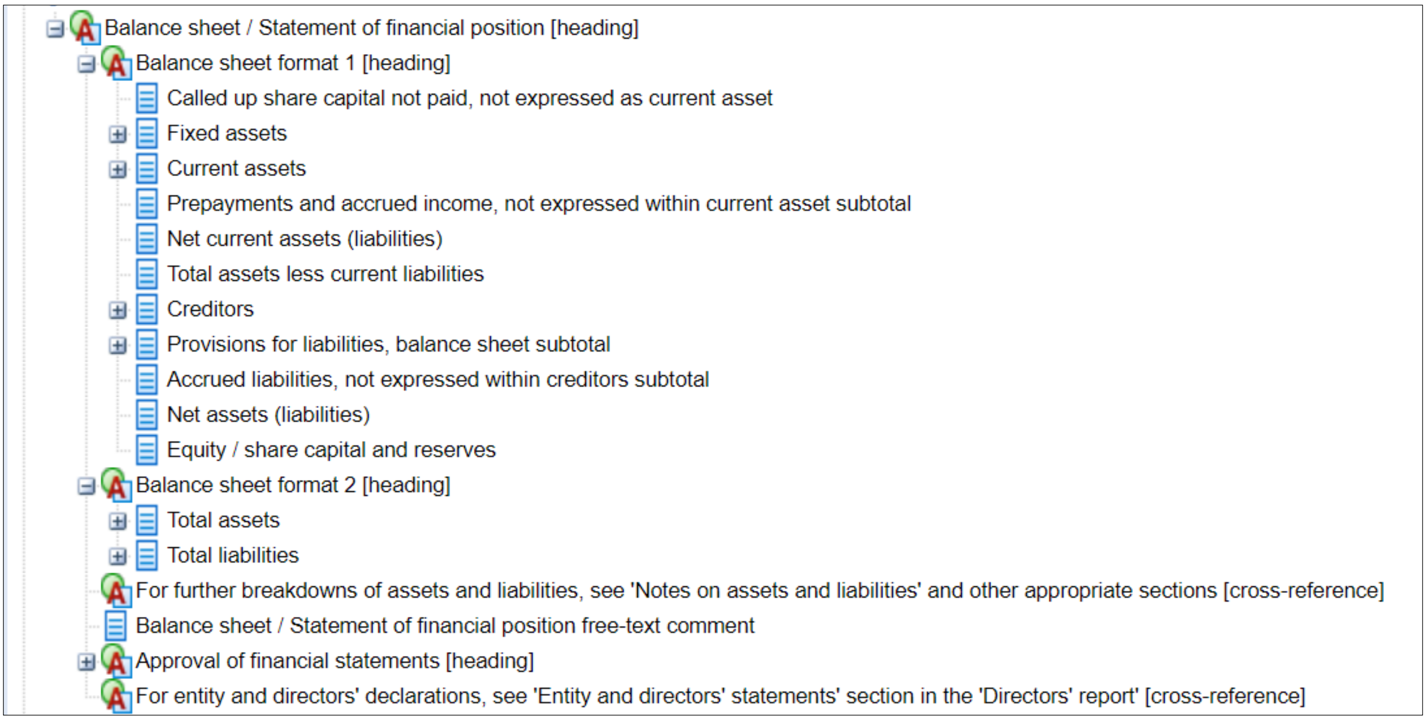
1. Concept (tag) name (i.e. Revenue recognition policy)

2. The text content to which the tag applies (i.e. "Revenue is measured at…")

A good analogy for digital reporting is a dictionary. The taxonomy provides the term with a definition derived from standards or legislation, and the preparer provides a value to map to it. This is easy to apply to quantitive/financial reporting (i.e. *Revenue* can be clearly represented as a number with a unit/currency and a date period) but is more complex for qualitative/narrative reporting where there might be a lot of variety in how preparers choose to report or where material narrative information appears spread out in different sections of the report.

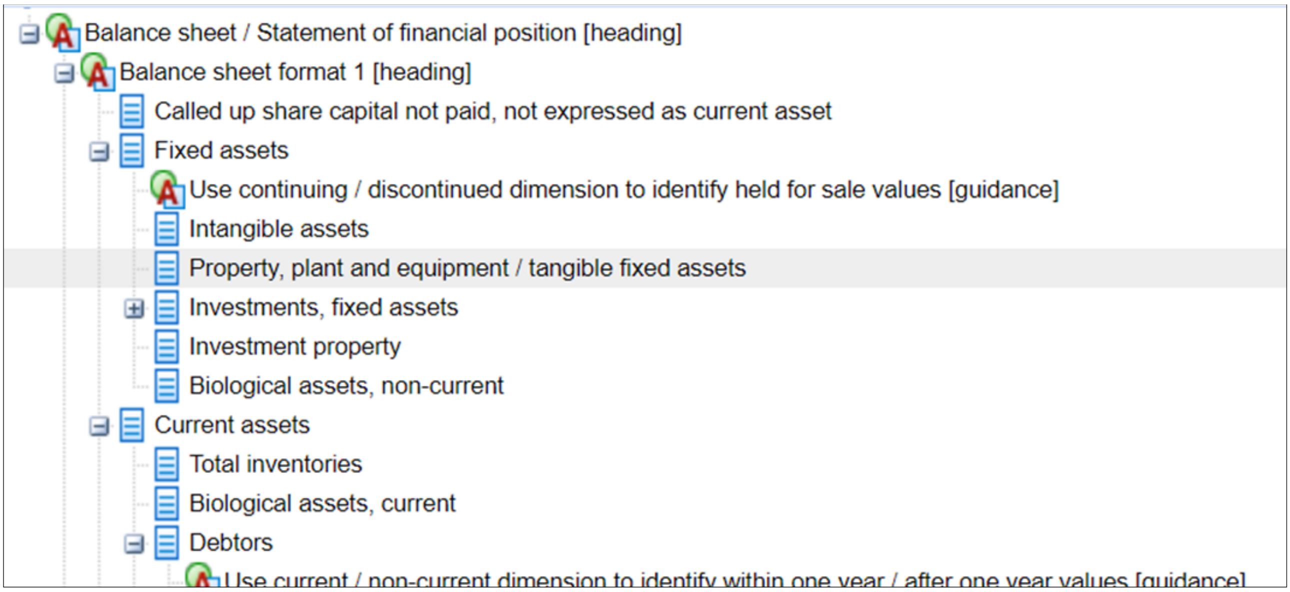
Preparers of digital reports **must** understand the accounting or other regulatory meaning of the information they are trying to tag using **the concepts defined in the taxonomy.** They then need to use specialist software to add the tag to the disclosure. Tagging may be manual (i.e. click and drag in the report to highlight the relevant text or number, and then to drag a tag from the taxonomy to it) or automated, depending on the software used.

Preparers **must** use the tags that are available in the UK Taxonomy Suite to tag **UK-specific information required by UK regulators**[27]. Tags are presented in a **hierarchy** with more detailed tags appearing below major ones. For example, the tags available for the Balance Sheet are in the 222 - Balance sheet/Statement of financial position folder[28]. The image below shows that all of the balance sheet tags come under the Balance sheet / Statement of financial position [heading] tag (i.e. they are all **children** of the **parent** heading tag).



Some of these concepts can be expanded (note the **+/-** sign next to some of the tags, for example **Fixed assets**). This demonstrates the logical separation of related concepts, allows for granular reporting, and shows the relationship of concepts in the hierarchy. For example, **Fixed assets** and **Current Assets** are children of **Balance sheet format 1**[29].

[27] Issuers using the European Single Electronic Framework (ESEF) taxonomy to discharge their obligations under the FCA's Disclosure and Transparency Rules are not reporting "UK-specific information" and this does not apply to them. Issuers using the UK Single Electronic Framework (UKSEF) taxonomy to dual file to the FCA and Companies House will be reporting UK-specific information to Companies House only and must use the tags that are available in the UK Taxonomy Suite to do so. Readers may be aware of **extensions** where preparers can create their own custom tags. Although these are used in other jurisdictions (e.g. Europe and ESMA's ESEF taxonomy) they are not available in the UK Taxonomy Suite to ensure that information is as comparable as possible.
[28] The content and order of the folders in the UK Taxonomy Suite are organised to reflect the content and order of an annual report as described in UK Accounting Standards. The FRC Annual Report is prepared under FRS 102 which is why the balance sheet has been tagged using concepts in the *222 - Balance sheet/Statement of financial position* folder. There are equivalent folders for FRS 101 and UK IFRS, however it is beyond the scope of this Appendix to explain the differences.
[29] Please note that this screenshot does not show the complete contents of the Balance sheet/Statement of financial position part of the UK Taxonomy Suite.



Although we have shown simple examples of quantitative and qualitative reporting using numeric and text tags, there are a wide range of types of tags that help to capture the meaning and granularity of disclosures for the purpose of digitally consuming and using the data. These are mostly beyond the scope of this paper and readers are referred to the guidance available on the FRC taxonomies website for more information. However, one type of tag that readers should be aware of are **dimensions**.

Dimensions can be thought of as identifying the different columns in a table of information, while ordinary line item tags represent the rows. For example, Revenue could be the line item/row and there could be columns that show a breakdown by country. Although every number on the row would be tagged with Revenue, each individual number would have its own country dimension tag applied (e.g. Revenue/**UK**, Revenue/**USA**, Revenue/**France**, Revenue/**China**). In this way, dimensions help to add granularity to tagging without requiring new line item tags to be added to the taxonomy for every eventuality. Preparers must use the dimensions that are available in the UK Taxonomy Suite to tag UK-specific information required by UK regulators.

More information on the structure and use of the UK Taxonomy Suite can be found in the documentation available from the FRC Taxonomies webpage.

Appendix 2: Glossary

A glossary of terms used in this paper can be found below. A glossary of more XBRL-specific terminology can be found here: https://www.xbrl.org/guidance/xbrl-glossary

Core taxonomy	The FRC accounts taxonomies contain a common core taxonomy, which defines the **XBRL** tags for accounting concepts and determines the key features of the design. Each individual taxonomy in the **UK Taxonomy Suite** extends this core taxonomy so that it presents the range of tags which are appropriate for the standard concerned. See "Taxonomy" and "UK Taxonomy Suite" for more information.
Digitisation	The **taxonomies** digitally enable existing reporting standards, converting them into an easy and efficient digital format. This enables preparers of digital reports to meet their legal and technical reporting requirements to HMRC, Companies House, FCA, Charity Commission, and the Irish Revenue. Digitisation does not create any new reporting requirements.
Due process	Since 2013, **the UK Taxonomy Suite** has been overseen by a due process system that manages its creation, maintenance, funding, and project management. Through this process, subject matter experts regularly review the work plan based on strong objectives and principles. The due process includes two committees – the Technical Task Force (TTF) and the XBRL Governance Committee – made up of relevant stakeholders from the regulators, software houses, and professional services. The Technical Task Force recommends the annual work plan to the Governance Committee, ensuring it meets technical requirements. The Governance Committee then recommends the work plan to the FRC's Executive Committee, ensuring it meets policy and market requirements. The work plan is regularly reviewed and challenged at the draft, public consultation, and publication stage of development, to ensure it is fit for purpose.
Guidance Tags	Guidance tags contain information intended to help preparers understand, locate, and use the correct tags in the **taxonomy**.
References	Where possible, each tag in the **taxonomy** has a reference, or set of references, to the relevant standards, legislation and/or reporting requirements.
Taxonomy	Taxonomies are dictionaries of business terms. They consist of computer-readable tags that identify specific financial and business data items and define how they can be used. See "Core taxonomy" and "UK Taxonomy Suite" for more information.

UK Taxonomy Suite	The below **taxonomies** and their supporting documentation are the annual output of the taxonomies annual cycle delivered via the workplan. Although the taxonomies serve a range of stakeholders, their principal purpose is to enable the preparation of digital disclosures for the purpose of reporting to HMRC, Companies House, FCA, Charity Commission, and Irish Revenue. See "Core taxonomy" and "Taxonomy" for more information. **Full IFRS for UK companies** – a taxonomy for companies filing financial statements prepared in accordance with full IFRS. **FRS 101 Reduced Disclosure Framework** – a taxonomy for companies filing financial statements prepared in accordance with FRS 101, which enables subsidiaries and ultimate parent companies to take advantage of disclosure exemptions in comparison to the requirements in full IFRS. **FRS 102 The Financial Reporting Standard** applicable in the UK and Republic of Ireland – a taxonomy for companies filing financial statements prepared in accordance with FRS 102. **Charities FRS 102 SORP and Charities**. The Statement of Recommended Practice applicable in the UK and Republic of Ireland – taxonomies for charities and academies filing financial statements prepared in accordance with FRS 102. **Irish Extension Taxonomy** – an extension of the UK taxonomies to allow for the submission of financial reports prepared under FRS 101, FRS 102 and EU-adopted full IFRS to the Irish Revenue Commissioners. **Streamlined Energy and Carbon Reporting** – Originally added to the taxonomy suite in November 2019 to reflect the new energy and carbon reporting requirements for all large companies, LLPs, and listed companies. It is not currently mandatory to tag SECR data, but this may change pending Government's Green Finance Strategy (cf 65) and other developments in sustainability reporting. Since 2022, all SECR and additional TCFD concept definitions have been moved to the core taxonomy and are available to the other taxonomies (except Irish extensions), making it easier for software providers to include these concepts in their products. *cont. overleaf*

UK Taxonomy Suite (continued)	**DPL** – Historically, the Detailed Profit & Loss taxonomy has been a separate taxonomy owned and managed by HMRC, for use in combination with either the FRC taxonomy or HMRC's own Tax Computation taxonomy. Since 2022, the DPL taxonomy have been included to the core taxonomy, eliminating a number of duplicate concepts in the process, and is available to the other taxonomies (except Charities extensions). The Irish extension already included a very similar DPL section that has been aligned, as far as possible, with the UK-specific DPL. **UKSEF Taxonomy** – introduced in 2021 as a UK-specific extension to the ESEF Taxonomy, which is itself an extension to the IASB's IFRS Taxonomy, it is independent of the UK FRC taxonomy. Since 2023, UKSEF has adopted multiple XBRL target documents, which enables users to meet their ESEF (FCA) and UK (Companies House) reporting requirements with one document and one taxonomy. The taxonomies also contain components to reflect other developments in the annual report and accounts, including those in auditor reporting.
Welsh labels	Since 2022, the UK Taxonomy Suite (except Irish extensions) includes a complete set of Welsh labels in addition to English, enabling Welsh accounts preparers and taxonomy browsers to see and use the taxonomies in their native tongue (if enabled by their taxonomy aware software).
XBRL	XBRL is the open international standard for digital business reporting. It enables automatic extraction and processing of high-quality narrative and financial data. Preparers use XBRL to create their annual reports in a standardised format, easily consumed by regulators, investors, analysts, and developers. Stakeholders use XBRL to incorporate reliable business data in their decision making and/or products.

Appendix 3: Proforma question list

The future of the UKSEF taxonomy

Alternative Taxonomies

- What criteria should be prioritised in moving away from the ESEF taxonomy for DTR purposes? Please describe which taxonomy is preferred and why.

If the IFRS Foundation's taxonomy is used as the starting point for an alternative taxonomy:

- Which types of content should the FCA add as a UK 'top-up'?
- What are the benefits, risks, and challenges of:

a) providing the top-up content in a separate taxonomy used together with the IFRS taxonomy as issued by the IFRS Foundation; compared to

b) combining the top-up content with the IFRS taxonomy in a UK wrapper?

- Q: What are the perceived current limitations for software attempting to make digitally reported information comparable between different jurisdictions and requirements? How might these best be tackled with the goal of ensuring useful comparability?
- Q: What role would external software vendors and technical solution providers play in a move away from the ESEF taxonomy? What are the benefits, risks and challenges arising from this?

Potential changes or extensions to structured digital reporting to support regulatory disclosure initiatives

- Given the FCA's focus on transparency and efficient market pricing:

a) what divergences from ESMA's approach do you think would be most beneficial, and why?

b) what new types of information, both within and beyond the annual report, should be prioritised for tagging, and why?

- Q: What information contained in the notes to the financial statements do you find most useful? Are there specific datapoints that you think would be useful if applied to all in-scope companies?
- What are the potential benefits and costs of changing the approach to block tagging of notes to the financial statements? How might this impact the consistency and comparability of reported data?
- What are the potential benefits and costs of changing the approach to extensions and anchoring? How might this impact the consistency and comparability of reported data?

Assurance of UKSEF tagging

- Should we consider exploring mandatory assurance of compliance over the digital tagging of audited financial statements that are published under FCA DTR requirements? If so, would a requirement apply to all issuers or solely UK based issuers?
- What do you consider to be an appropriate scope for the assurance work (e.g. complete or sample-based checking, reliance on internal systems and controls, external assistance around the compilation process), and why?
- What would you consider to be material in the nature and scope of the opinion, the level of comfort that is given and to whom?
- Do you think that assurance should stem from legal requirements akin to statutory audit? Or from FCA rules in the same way as auditor review of corporate governance matters for premium listed companies? Please explain your reasoning for any preferred approach.

Renaming the UK Single Electronic Framework (UKSEF)

- Do you agree that the name "UKSEF" should be changed to better clarify its purpose and method? If not, why not?
- Do you agree that the name "UKEF" is sufficient? What other names do you consider might be good candidates instead of "UKSEF"?

Impact of the full tagging mandate

Definition of full tagging

- Do you think the term "full tagging" is sufficient to describe the expectations of preparers of digital reporting? What alternative terms would you suggest that support the ambitions of measurable quality, consistency, and completeness?
- How can regulators ensure that the full tagging process does not become overly burdensome, especially for smaller businesses and charitable companies, while keeping pace with new reporting requirements?

Ensuring the quality of fully tagged information

- Do you have any suggestions on how tagging quality could be measured? To what extent should these checks be undertaken during report creation, on submission and/or post-submission?

Impact of full tagging on those reporting to Charity Commission of England and Wales

- Are there ways that the Charity Commission can support Companies House to introduce digital reporting for charitable companies in a way that is equitable and with due regard to the specific costs and burdens charities may face?

- What if anything can Charity Commission do to make the cost and filing burden on charitable companies more manageable through changes to their filing regime?

Existing support materials

- Do the current support materials cover the scope of what is required for each type of preparer? If not, what needs to be included that is not already there?
- How could the current support materials be improved?

Potential support materials

- What support materials might be most useful to preparers and software vendors? How should we prioritise potential material, recognising finite resources across regulators to support digital reporting?
- How could tagging examples be developed to ensure that we do not create an unofficial “minimum” standard of tagging or a “pro-forma” approach to tagging?
- Other than tagging examples, what types of resources and feedback would be most useful in terms of helping preparers to understand the full tagging requirement, improve tagging quality year-on-year, and identify reporting which should be further investigated by regulators?

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