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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Delegations will find attached document C(2021) 8474 final.

Encl.: C(2021) 8474 final



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COMMISSION DELEGATED REGULATION (EU) .../...

of 29.11.2021

amending Delegated Regulation (EU) 2019/815 as regards the 2021 update of the taxonomy laid down in the regulatory technical standards on the single electronic reporting format

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

In May 2019, the Commission published Delegated Regulation (EU) 2019/815¹ with regard to Regulatory Technical Standards (RTS) on the specification of a single electronic reporting format (the European Single Electronic Format – ESEF). The RTS on ESEF was developed by ESMA under Article 4(7) of Directive 2004/109/EC (Transparency Directive) as amended by Directive 2013/50/EU. This RTS specifies the single electronic reporting format for the preparation of annual financial reports by issuers of securities listed on the EU regulated markets for financial years beginning on or after 1 January 2020. Under this RTS, all issuers whose securities are admitted to trading on an EU regulated market must prepare their entire annual financial reports using the eXtensible HyperText Markup Language (XHTML) format starting with financial year 2020. Additional rules apply where issuers include in their annual financial reports the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the Union pursuant to Regulation (EC) No 1606/2002 or as issued by the International Accounting Standards Board, which Commission Decision 2008/961/EC considers as equivalent to the IFRS adopted by the Union. IFRS consolidated financial statements must be marked-up using the inline eXtensible Business Reporting Language (iXBRL) and such mark-ups must be embedded in the underlying XHTML document using the Inline XBRL technology. As a supplementary measure to help the recovery from the COVID-19 pandemic, Article 4(7) of the Transparency Directive was amended by Regulation (EU) 2021/337² to grant Member States the option to allow issuers in their jurisdiction to draw up annual financial reports in ESEF starting with financial year 2021 (instead of 2020), provided the intention to do so is notified to the European Commission and duly motivated.

The core taxonomy to be used for marking-up the IFRS consolidated financial statements (ESEF Taxonomy) is specified in the Annex of the RTS. The ESEF taxonomy – last updated via the amending Delegated Regulation (EU) 2020/1989 - is based on the one developed by the IFRS Foundation and is periodically updated to reflect, amongst other developments, the issuance of new IFRS or the amendment of existing IFRS, the analysis of disclosures commonly reported in practice, as well as improvements to the IFRS taxonomy's general content or technology. The latest version of the IFRS Taxonomy to date - the 2021 IFRS Taxonomy - was published in March 2021. It includes the presentation and disclosure requirements of the IFRS Standards as issued by the International Accounting Standards Board at 1 January 2021, including those issued but not yet mandatorily applicable.

This RTS – submitted to the European Commission by ESMA on 25 May 2021 - aims to amend the existing RTS on ESEF to reflect all the updates included in the 2021 IFRS Taxonomy, irrespective of the endorsement status of each IFRS within the Union. In

¹ Originally published as “Commission Delegated Regulation (EU) 2018/815 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”. Following a corrigendum published in June 2019, the number of the Delegated Regulation is now 2019/815.

² Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single electronic reporting format for annual financial reports, to support the recovery from the COVID-19 crisis (OJ L 68, 26.02.2021, p. 1)

particular, it amends or substitutes the relevant sections of the Annexes to the RTS on ESEF. In addition, it incorporates additional guidance to preparers (i.e. additional label types) which are also made available by the IFRS Foundation in order to facilitate marking-up of financial statements. This amendment is purely technical and is needed to align electronic reporting with the existing reporting standards, thus facilitating the implementation by issuers of the mark-up requirements contained in the RTS on ESEF.

In order to allow enough time for the effective implementation of the requirements by issuers, this amendment to the RTS on ESEF will be applicable at the latest for financial years beginning on or after 1 January 2022, allowing for early application. Consequently, for annual financial reports for financial statements beginning on or after 1 January 2021 – issuers will be allowed to use either the 2020 ESEF Taxonomy or the 2021 ESEF Taxonomy introduced by this RTS. Early application is especially relevant for issuers for whom one or more core taxonomy elements included in the 2021 ESEF Taxonomy better reflect the accounting meaning of the disclosure being marked-up compared to the 2020 ESEF taxonomy.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

This amendment to the RTS on ESEF provides for purely technical amendments of the existing RTS on ESEF and as such does not constitute new policy or a substantial change to existing policy. In accordance with Article 10 of Regulation (EU) 1095/2010 (the ESMA Regulation), ESMA did not conduct an open public consultation of the draft RTS, nor analysed the potential related costs and benefits because such consultations and analyses would have been disproportionate in relation to the scope and the impact of this RTS.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

This amendment to the RTS on ESEF is based on Article 4(7) of the Transparency Directive as amended by Directive 2013/50/EU.

This delegated act includes purely technical updates to the taxonomy according to which issuers whose securities are admitted to trading on EU regulated markets are legally obliged to use for marking-up the IFRS consolidated financial statements within the annual financial reports.

In particular:

- Annex I of the existing RTS on ESEF is amended in accordance with Annex I to this Regulation;
- Annex VI of the existing RTS on ESEF is amended in accordance with Annex II to this Regulation.

This is in line with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018, which states that the provisions included therein should be updated periodically on the basis of draft RTS prepared by ESMA.

COMMISSION DELEGATED REGULATION (EU) .../...

of 29.11.2021

amending Delegated Regulation (EU) 2019/815 as regards the 2021 update of the taxonomy laid down in the regulatory technical standards on the single electronic reporting format

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC³, and in particular Article 4(7) thereof,

Whereas:

- (1) Commission Delegated Regulation (EU) 2019/815⁴ specifies the single electronic reporting format, as referred to in Article 4(7) of Directive 2004/109/EC, to be used for the preparation of annual financial reports by issuers. Consolidated financial statements included therein are prepared either in accordance with International Accounting Standards, which are commonly referred to as International Financial Reporting Standards ('IFRSs'), adopted pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council⁵, or in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) which, based on Commission Decision 2008/961/EC⁶, are considered as equivalent to IFRSs adopted pursuant to Regulation (EC) No 1606/2002.
- (2) The core taxonomy to be used for the single electronic reporting format is based on the IFRS Taxonomy and is an extension of it. The IFRS Foundation annually updates the IFRS Taxonomy to reflect, amongst other developments, the issuance of new IFRSs or the amendment of existing IFRSs, the analysis of disclosures commonly reported in practice, or improvements to general content or technology of the IFRS Taxonomy.

³ OJ L 390, 31.12.2004, p. 38.

⁴ Commission Delegated Regulation (EU) No. 2019/815 supplementing Directive 2004/109/EC 2002 of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (OJ L143, 29.5.2019, p.1).

⁵ Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

⁶ Commission Decision of 12 December 2008 on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (OJ L 340, 19.12.2008, p. 112).

Therefore, it is necessary to update the regulatory technical standards to reflect each annual update of the IFRS Taxonomy.

- (3) In March 2021 the IFRS Foundation published the updated version of the IFRS Taxonomy. This update should therefore be reflected in Delegated Regulation (EU) 2019/815.
- (4) Annex VI of Delegated Regulation (EU) 2019/815 currently specifies for each element of the core taxonomy a standard label (“label”) and a documentation label (“documentation label”). In order to facilitate a harmonised application of the requirement to mark up IFRS consolidated financial statements, it would be appropriate that this Regulation includes, where relevant, the additional label types foreseen by the IFRS Taxonomy. Therefore Annex VI should be amended to include, where relevant, additional label types.
- (5) In order to allow enough time for the effective implementation of the requirements by issuers, and to minimise compliance costs, this Regulation should apply to annual financial reports containing financial statements for financial years beginning on or after 1 January 2022. However, issuers should be allowed to adopt the taxonomy specified in this Regulation already for financial years beginning on or after 1 January 2021.
- (6) Delegated Regulation (EU) 2019/815 should therefore be amended accordingly.
- (7) This Regulation is based on the draft regulatory technical standard submitted by the European Securities and Markets Authority to the Commission.
- (8) This Regulation is a technical update to Commission Delegated Regulation (EU) 2019/815 to reflect updates in the IFRS taxonomy and provide additional guidance to mark-up IFRS financial statements. As such it does not constitute new policy or a substantial change to existing policy. ESMA has not conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits or requested the advice of the Securities and Markets Stakeholder Group established under Article 37 of Regulation (EU) No 1095/2010⁷ because doing so would have been highly disproportionate to the scope and impact of this amendment,

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Delegated Regulation (EU) 2019/815

Delegated Regulation (EU) 2019/815 is amended as follows:

- (1) Annex I is amended in accordance with Annex I to this Regulation;

⁷ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

(2) Annex VI is amended in accordance with Annex II to this Regulation.

Article 2

Transitional provision

By way of derogation from Delegated Regulation (EU) 2019/815 as amended by Commission Delegated Regulation (EU) 2020/1989⁸, this Regulation may be applied to annual financial reports containing financial statements for financial years beginning before 1 January 2022.

Article 3

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2022 to annual financial reports containing financial statements for financial years beginning on or after 1 January 2022.

However, Article 2 shall apply from the date of entry into force of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 29.11.2021

For the Commission
The President
Ursula VON DER LEYEN

⁸ Commission Delegated Regulation (EU) 2020/1989 of 6 November 2020 amending Delegated Regulation (EU) 2019/815 as regards the 2020 update of the taxonomy laid down in the regulatory technical standards for the single electronic reporting format (OJ L 429, 18.12.2020, p. 1–723).