



Financial Reporting Council

ESEF and ESG reporting

Cross-cutting challenges and opportunities

FRC Lab

14 June 2022

Current Lab projects



Focus of this session

ESG data production

- First phase of project about the production, distribution and consumption of ESG data
- Interviews with 25+ companies and roundtables
- Key topics: drivers for data collection – systems – alignment with strategy – ESG disclosure frameworks – data collection from supply chain – embedding ESG in day-to-day operations

Structured reporting (ESEF)

- Review of mandatory UK filings submitted in 2022 and outreach with preparers, service providers and other stakeholders.
- Following up on last year's early implementation review
- Update on developments and issues this reporting season, with a focus on data quality

Cross-cutting challenges and opportunities

1

Get organisational buy-in, including at the top

2

Treat as an opportunity to improve processes

3

Data quality is a challenge

4

Understand your needs, plan and test

1 Get organisational buy-in, including at the top

ESG data production

- Commitment and tone from the top/targets are key to drive organisational change
- Consider how to best structure ESG function – within the finance function, another existing function or a new, separate function?

Structured reporting (ESEF)

- Does not only concern the finance team – affects the whole annual report process. This means different teams need to be involved, including CoSec, design etc.
- Get appropriate governance – involve your audit committee

2 Treat as an opportunity to improve processes

ESG data production

- Today, data production is often driven by regulatory requirements.
- Look to collect data that is decision-useful for the business and embed ESG considerations in day-to-day operations.

Structured reporting (ESEF)

- Opportunity to think digital-first – give the structured report the same level of attention as PDF.
- XHTML format opens new possibilities, eg using viewer functionality to provide additional, interactive content

ESG data production

- Systems and data quality are nowhere near as mature as for financial information
- Spreadsheets are still being used
- Data quality is particularly challenging for information from supply chain.

Structured reporting (ESEF)

- High-quality data is key – otherwise the data will not be used
- Some common errors to look out for include sign errors and poor tag selection
- Consider voluntary assurance

ESG data production

- Understand both what you need to do and what you want to do
- Consider how to build the capacity and quality in the data
- For data that will become part of external reporting – test the production and consolidation process

Structured reporting (ESEF)

- Consider effect on timetable (parallel vs bolt-on approach)
- Test to avoid validation issues and issues with how the file is displayed in XHTML

Some differences between digitisation of financial reporting and ESG reporting

1

ESG can be digital first

2

Interest in tagged ESG information should be greater

3

Usefulness of consolidated vs entity-level information

Get involved

Structured reporting (ESEF)

- We want to hear about your experience and challenges with structured reporting this year.
- Get in touch at FRCLab@frc.org.uk

Net zero disclosures

- Read the call for participants [here](#):

