



*Estimated reading time : 4 minutes*

As companies gear up for the year-end financial reporting cycle, one area demanding renewed attention is the digital format of the report: European Single Electronic Format (ESEF). ESEF remains a core requirement for listed companies in the EU and in the UK, and 2025 brings fresh challenges. These include updates to the ESEF taxonomy, ongoing regulatory uncertainty, and the introduction of IFRS 18. Although IFRS 18 will not be mandatory until a later date, it is already influencing reporting practices, and early adoption is expected to be permitted in the EU, creating implications for taxonomy selection and tagging in ESEF filings.

In parallel, companies are also beginning to prepare for Environmental, Social and Governance (ESG) disclosures under the Corporate Sustainability Reporting Directive (CSRD) in the EU, which introduces requirement for digital reporting format for sustainability information. In the UK, draft UK Sustainability Reporting Standards (UK SRS) have also been published for consultation.

## **ESEF tagging amidst delays in publications**

One of the first key tasks on the agenda is restarting the ESEF mapping process to match the best tags between your financial statements and an evolving taxonomy. This year, the European Securities Markets Authority (ESMA) may publish the reviewed version of the Reporting Manual later than usual, as well as the updated regulation and taxonomy. As a result, the landscape is not entirely clear, even if no major changes are currently expected. It will also be essential to review any changes in the presentation of financial statements. Even when issuers think their formats remain broadly consistent year to year, there are usually some adjustments that need to be addressed.

In the UK, issuers on regulated markets must continue to comply with ESEF, with the Financial Conduct Authority (FCA) maintaining its own taxonomy version. In July 2025 the Financial Reporting Council (FRC) published the Draft 2026 Taxonomy Suite, with the final version due in November. The draft gives companies early sight of the tags and structures for 2026, helping them prepare systems and processes in advance.

## **What does adoption of IFRS 18 mean for ESEF ?**

The new IFRS 18 presentation of profit and loss will become mandatory until for annual reporting periods beginning on or after 1 January 2027, but early adoption may be possible. And this could create complications for ESEF filings.

While the IFRS Foundation has already published a taxonomy reflecting the new presentation format, the current ESEF taxonomy has not yet been updated to include it. It is expected to be incorporated into the ESEF taxonomy for 2026, which would typically be accepted in advance for 2025 reports, according to the revised Regulatory Technical Standards (RTS), still to be published.

As this taxonomy should support both scenarios – applying IFRS 18 or not – it is essential to select the correct entry point when preparing filings. Whether using an IFRS 18 compliant entry point or a non-IFRS 18 entry point, tagging must be consistent with the chosen reporting framework to avoid validation errors.

There is also the question of how to tag the new IFRS 18 specific disclosures using the dedicated IFRS 18 block tags. These tags will not be part of ESMA's mandatory tagging list, meaning companies will need to decide whether and how to use them voluntarily to improve the clarity and navigability of their reports.

In addition, there are other tagging considerations for IFRS 18, including proposals for tagging alternative performance measures and creating explicit XBRL links between the primary financial statements and the related notes. These are interesting mechanisms proposed by the IFRS Foundation to help analysts better understand financial statements. However, they are not expected to become regulatory requirements and will depend on voluntary initiatives by issuers, in cooperation with their auditors, who are responsible for ensuring the financial report remains compliant with ESEF regulations.

## Looking beyond financials to ESG

While ESEF tagging requirements continue to focus on financial reporting, now is also the perfect time to begin preparing the process to later tag ESG disclosures under the Corporate Sustainability Reporting Directive (CSRD). Digital format is also expected for the UK.

Companies can already voluntarily report using the GRI taxonomy and the VSME (Voluntary Sustainability Reporting Standard for SMEs) framework developed by EFRAG to help small and medium-sized enterprises report on ESG matters in a simple and standardised way. These tools offer a valuable opportunity to get familiar with structured ESG tagging before the full scheme, supported by the ESRS Set 1 XBRL Taxonomy published by EFRAG in 2024 and currently reviewed, becomes mandatory. Indeed, for companies in scope of the CSRD, the next step is to compare their sustainability disclosures with the published ESRS taxonomy: 1this can help identify any gaps, align reporting practices, and ease the transition to digital ESG reporting.

### Final Thoughts

With both ESEF and ESG frameworks evolving, finance and sustainability teams must stay ahead of the curve. Whether it's navigating the implications of IFRS 18 or gearing up for CSRD, early preparation and cross-functional collaboration will be key to future smooth year-end closes.