

27 January 2022

## Clarification on European Single Electronic Format (“ESEF”) Annual Financial Reports

*In terms of the applicable regulation on the European Single Electronic Format (“ESEF”)¹, issuers must prepare Annual Financial Reports (“AFRs”) containing financial statements for financial years beginning on or after 01 January 2021 in a single electronic reporting format.*

### 1.0 Background

This Circular should be read in conjunction with preceding circulars issued by the Authority on ESEF, particularly [Section 5.3 of the Circular dated 24 December 2020](#) on the Use of Electronic Signatures.

The Authority has been made aware that the use of electronic signatures within ESEF reports may cause issues in the preparation of ESEF reporting packages and it may also lead to invalidation of ESEF files.

For this reason, issuers are expected to:

- make use of a document identification code (“Document ID”) to ensure the integrity of the ESEF AFR; and
- complete and sign a Directors’ Declaration to confirm that the ESEF AFRs are duly approved by the directors and made available to the public.

### 2.0 Document Identification

In view of the challenges encountered in signing the ESEF AFR electronically, through a valid signature, the Authority notes that locally registered companies which are listed on the Malta Stock Exchange, may find it difficult to uniquely identify the ESEF AFR as the annual financial report which has been duly audited and approved by the directors.

Identification is key to ensure the digital integrity of the ESEF AFR, that is, to allow the corresponding ESEF Reporting Package to be uniquely identified in the same manner by all

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<sup>1</sup> Article 4 of the [Transparency Directive](#) (Directive 2013/50/EU of the European Parliament and of the Council of 22 October 2013 amending Directive 2004/109/EC of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) and the [Regulatory Technical Standard on ESEF](#) (Commission Delegated Regulation (EU) 2019/815 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).

relevant stakeholders. This is considered especially important given that in Malta we are adopting a single document approach to ensure that in the case of locally registered companies, investors have access to consistent information.

In order to identify ESEF Reporting Packages, issuers would generate a Document ID<sup>2</sup> which would serve as a unique code to authenticate and identify the electronic AFRs approved for issue by the respective issuer's Board of Directors.

In the interest of good governance, it is strongly recommended that internal controls are set by issuers to ensure that the approval process, including the generation of the Document ID, is well documented and reviewed. This would enable the Audit Committee to perform their responsibilities in terms of the Capital Markets Rules.

### 3.0 Directors' Declaration

All issuers shall be required to prepare and include a '**Directors' Declaration on ESEF AFRs**' (hereinafter referred to as the "Declaration") in the Company Announcement wherein the publication of the ESEF AFR is announced. The Declaration is a statement signed by two directors, which certifies:

- that the AFR has been approved by the Directors and made available to the public;
- that the AFR has been prepared in accordance with the applicable regulation including the ESEF Regulation and the Capital Markets Rules;
- that the auditor's report represents the exact copy; and
- that the AFR shall serve as the official document for the purposes of the Capital Markets Rules and the Companies Act, where an issuer is registered in Malta.

The Directors' Declaration allows the issuer's Directors to approve the contents of the ESEF AFR, including the requirements stipulated by Capital Markets Rule 5.55. Furthermore, the signed Declaration provides confirmation by the issuer's Directors that the respective ESEF AFR is deemed as the only official document to meet the relevant requirements of both the Capital Markets Rules as well as the Companies Act, where an issuer is registered in Malta. In this regard, please refer to the "**Notice on the Filing Procedure Applicable to Annual Financial Reports under the European Single Electronic Format**" as issued by the Malta Business Registry.<sup>3</sup>

A copy of the Directors' Declaration has been attached herewith and can also be accessed from the Authority's website as follows:

<https://www.mfsa.mt/firms/capital-markets/european-single-electronic-format/preparation-documents/>

<sup>2</sup> Referred to as "An integer value or code that is generated through a hashing algorithm, thereby assigning a unique value to an object or file" as shall be provided for under the Accountancy Profession Act or the rules and directives issued thereunder.

<sup>3</sup> Please visit <https://mbr.mt/2022/01/27/notice-on-esef> for more information.

## 4.0 Further Guidance

The MFSA would like to draw your attention to the following available guidance:

- [Guidance on the ESEF Test Environment](#) by way of Circular dated 16 June 2021
- [Guidelines for Issuers to Upload and Review Reporting Data through the LH Portal](#)

In addition to the above, the Authority shall be publishing further guidance as necessary in due course. Specific guidance shall be provided in relation to the process of lodging the ESEF AFR with the Authority for validation and the ESEF AFR's subsequent publication, including the content of the Company Announcement wherein the publication of the AFR is announced. Moreover, additional information on the launch of the live environment is also expected to be provided.

The Circulars issued by the Authority on ESEF can be accessed from the Authority's website as follows:

<https://www.mfsa.mt/publications/circulars/securities-markets-supervision/esef/>

For more information on ESEF, please visit our [website](#) as follows:

<https://www.mfsa.mt/our-work/securities-and-markets-supervision/>

Capital Markets/Continuing Obligations/European Single Electronic Format (ESEF)

## 5.0 Contacts

Kindly address any queries or request for clarifications in respect of the above to [esef.malta@mfsa.mt](mailto:esef.malta@mfsa.mt).