

07 April 2021

ESMA Publishes its Annual Report on Enforcement and Regulatory Activities

On 06 April 2021 the European Securities and Markets Authority (“ESMA”) published its [Annual Report on enforcement and regulatory activities](#) related to corporate reporting in the European Economic Area. The report aims to present the main activities undertaken at European level that contribute to supervisory convergence, quantitative information on enforcement activities as well as ESMA’s contribution to the development of a single rulebook for corporate reporting.

In 2020, ESMA enhanced its efforts to increase supervisory convergence with respect to the following areas:

- Enforcement of Financial Statements: by harmonising the enforcement of the application of IFRS 16 *Leases* and IFRS 15 *Revenue from Contracts with Customers*;
- Enforcement of Non-Financial Statements for large undertakings: relating to disclosures of non-financial key-performance indicators, environmental and climate change related matters, and general aspects such as materiality, completeness and accessibility of the information in the disclosures;
- Enforcement of Alternative Performance Measures in 2020: with specific focus on the presentation and disclosure of performance measures, to ensure that issuers comply with the ‘true and fair view’ principle when publishing APMs;
- 2020 Statement on the European Common Enforcement Priorities: to set out the expectations for 2020-year end IFRS Financial Statements;
- Other activities related to supervisory convergence: by promoting transparency on the impact of COVID-19 through public statements on the implications of the pandemic on financial reporting and conducting a fact-finding exercise based on the half-year financial reports.

Furthermore, ESMA has continued to actively contribute to the establishment of a Single Rulebook for corporate reporting. In fact, ESMA participates in the accounting standard setting process, has undertaken a number of activities in the area of electronic reporting and also supports the establishment of a single rulebook in relation to issuers’ disclosure of non-financial information. Lastly, ESMA also carried out work related to the Audit Regulation, through its membership of the Committee of European Audit Oversight Bodies (CEAOB).

Next Steps

ESMA and the European enforcers have identified the common enforcement priorities¹ for 2020 IFRS financial statements, with focus on ensuring that adequate transparency is provided regarding the consequences of the COVID-19 pandemic for the application of:

- IAS 1 *Presentation of Financial Statements*;
- IAS 36 *Impairment of Assets*;
- IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*; and
- IFRS 16 *Leases*.

In terms of 2020 non-financial statements, ESMA expects that the key areas of focus would also include the impact of the COVID-19 pandemic on the different non-financial matters, as well as certain aspects of social and employee matters, business model, value creation and risks relating to climate change.

Furthermore, ESMA will also continue to actively contribute to the development of high-quality accounting standards and promote supervisory convergence.

Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt.

¹ MFSA Circular dated 1 November 2020, *ESMA Public Statement - European Common Enforcement Priorities for 2020 Annual Financial Reports* <https://www.mfsa.mt/wp-content/uploads/2020/11/ESMA-Public-Statement-European-Common-Enforcement-Priorities-for-2020-Annual-Financial-Reports.pdf>