

06 April 2022

ESMA Publishes its 2021 Corporate Reporting Enforcement and Regulatory Activities Report

1.0 Background

On 30 March 2022, the European Securities and Markets Authority (“ESMA”) published its [2021 Corporate Reporting Enforcement and Regulatory Activities Report](#) (hereinafter referred to as the “Report”).

The Report addresses the 2021 activities carried out by ESMA and national enforcers in the European Economic Area (“EEA”) when examining compliance of financial and non-financial information of listed entities. As ESMA outlines its conclusions from the 2021 activities, it also provides recommendations to issuers and auditors on how to improve future financial and non-financial reports.

2.0 Key Figures

The Report provides transparency and accountability to the market, with an overview of the 2021 activities carried out by ESMA and EEA enforcers. An extract of the summary of activities as outlined by ESMA may be referred to in this section as follows:

Enforcement of Financial Reporting

711 examinations of financial statements drawn up under IFRS, covering approximately 17% of issuers listed on European Union (“EU”) regulated markets. The examinations led to enforcement actions against 250 issuers in order to address material departures from International Financial Reporting Standards (“IFRS”), representing an action rate of 40%. As in the past, most shortcomings were identified in the areas of accounting for financial instruments, impairment of non-financial assets, presentation of financial statements and revenue recognition.

Enforcement of APM Reporting

537 management reports were examined to assess whether the presentation and disclosure of alternative performance measures (“APM”) complied with ESMA’s APM Guidelines, covering 13% of all IFRS listed issuers in the EU. Based on these examinations, enforcement actions were taken in relation to 97 issuers, constituting an action rate of 18%.

Enforcement of non-financial reporting

European enforcers examined non-financial statements of 711 issuers, 36% of the total estimated number of issuers required to publish a non-financial statement, to assess disclosures in non-financial statements. Related enforcement actions against 72 issuers represented an action rate of 10%.

In this regard, enforcers assessed the extent to which European issuers had taken account of ESMA's considerations on non-financial disclosures in the 2020 European Common Enforcement Priorities ("ECEP") Statement relating to social and employee matters, business model and value creation, risk relating to climate change, and impact of the COVID-19 pandemic on non-financial matters. The majority of the enforcement actions concerned disclosures to be corrected in the future financial statements.

3.0 Next Steps

Whilst issuers, auditors and audit committees are expected to consider the contents of the Report, the Authority additionally highlights ESMA's reference to the [2021 ECEP Statement](#)¹ which includes the priorities for 2022 enforcement activities. In this respect, reference is also made to the Authority's corresponding [Circular dated 08 November 2021](#).

4.0 Contacts

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

¹ ESMA Public Statement, European common enforcement priorities for 2021 annual financial reports, ESMA 32-63-1186, dated 29 October 2021