

23 October 2024

ESMA Public Statement – European Common Enforcement Priorities for 2025 Annual Financial Reports

1.0 Background

The Authority would like to bring to your attention the [Public Statement on the European Common Enforcement Priorities \(“ECEP”\) for the 2025 Annual Financial Reports \(“AFRs”\) of listed companies](#) published by the European Securities and Markets Authority (“ESMA”) on 14 October 2025 (hereinafter referred to as the “Public Statement”).

The Public Statement sets out the key areas of focus that European National Competent Authorities (“NCAs”), including the MFSA, will consider when assessing and monitoring the application of the financial and sustainability reporting requirements for the 2025 AFRs.¹

The Public Statement primarily addresses the following topics:

- Geopolitical risks and uncertainties;
- Segment reporting;
- Materiality considerations in reporting under the European Sustainability Reporting Standards (“ESRS”)²;
- Scope and structure of the sustainability statement; and
- Common errors found in the Statement of Cash Flows, in terms of the European Single Electronic Format (“ESEF”).

In this respect, the Public Statement is divided into four main sections:

- **Section 1:** Priorities related to International Financial Reporting Standards (“IFRS”) financial statements;
- **Section 2:** Priorities related to sustainability statements, with reference to the ESRS and the scope and structure of the sustainability statement;
- **Section 3:** Priority related to ESEF reporting; and
- **Section 4:** General considerations and reminders.

¹ As defined by Article 4 of [Directive - 2004/109/EC](#) (Transparency Directive or TD), which includes sustainability statements and ESEF requirements.

² [EC mandate on revised ESRS](#), 27 March 2025.

2.0 Overview of Priorities

Section 1 outlines two main areas of focus for **IFRS financial statements** for the 2025 AFRs, as follows:

- **Geopolitical risks and uncertainties** – ESMA highlights the ongoing effects of the war in Ukraine, tensions in the Middle East and increased trade frictions, which create volatility in energy prices, supply chains and global trade. Issuers are expected to provide entity-specific disclosures on how these developments impact their operations, judgements and assumptions. The key areas of focus include:
 - **Write-down of inventories and impairment of non-financial assets:** reassessment of the net realisable value of inventories considering price volatility, tariffs, supply-chain or exchange rate changes;
 - **Recoverability of Deferred tax assets (“DTAs”):** geopolitical developments can affect profitability forecasts which in turn, may cast doubt on the recoverability of DTAs recognised under IAS 12;
 - **Revenue recognition:** issuers must review contracts affected by new or increased tariffs, renegotiations or cost escalations; and
 - **Other considerations:** include the recognition of a provision for restructuring costs and the valuation and risk profile of some financial instruments.
- **Segment reporting** – In the Public Statement, ESMA calls for greater clarity and alignment between the information provided in the management report³, in the reporting to the Chief Operating Decision Maker (“CODM”) and in the financial statements. Issuers must ensure that segment identification and aggregation criteria under IFRS 8 are supported by entity-specific disclosures. ESMA reminds issuers of the need to disclose revenues and expenses for each reportable segment, as well as information on geographical areas and major customers.

Section 2 focuses on the first reporting year under the Corporate Sustainability Reporting Directive (“CSRD”)⁴ and the ESRS for “Wave 1” companies. In light of the current regulatory context and the Omnibus legislative package⁵ – comprising the “Content” Directive⁶, the “Stop the clock” Directive⁷ and the “Quick Fix” Delegated Act⁸ – ESMA is adopting a pragmatic enforcement approach. Moreover, in 2025, ESMA carried out a fact-finding exercise⁹, whereby it analysed initial ESRS disclosures on materiality from the first cycle of sustainability reporting. This approach reflects continuity with two supervisory priorities carried over from ECEP 2024 as follows:

³ Also referred to as the Directors’ Report in Malta.

⁴ [Directive \(EU\) 2022/2464](#).

⁵ [Omnibus legislative package](#)

⁶ [Content Directive](#)

⁷ [Directive - EU - 2025/794 - EN - EUR-Lex](#), adopted April 2025.

⁸ [“Quick fix” Delegated Act](#)

⁹ ESMA statement: [Materiality matters \(!\): Results of a fact-finding exercise on 2024 corporate reporting practices under ESRS Set 1](#).

- **Materiality considerations in reporting under ESRS** – ESMA identifies materiality assessment as a cornerstone of sustainability reporting under the ESRS, and a key enforcement focus for 2025. It requires issuers to assess both the impact of their activities on people and the environment and the financial risks and opportunities arising from sustainability matters.

In-scope issuers are expected to provide disclosures on how they identify and assess Impacts, Risks, and Opportunities (“IROs”), describing the inputs applied, including the data sources, scope of operations that are covered and other considerations, such as the key assumptions relied upon. ESMA stresses that issuers’ disclosures should move beyond boilerplate disclosures that merely restate ESRS concepts without context. Issuers should provide entity-specific disclosures of how they considered gross impacts (i.e., before the effect of any prevention, mitigation or remediation actions). Transparent, well-structured disclosures on materiality will help users understand how sustainability issues affect strategy, governance and performance, ensuring consistency and decision usefulness.

- **Scope and structure of the sustainability statement** – ESMA reminds issuers that the scope of the sustainability statement shall be for the same reporting undertaking as the financial statements. The sustainability statement should be clearly structured, coherent and easy to navigate, in line with ESRS 1’s general presentation principles. ESMA encourages issuers to use cross-referencing and hyperlinks within the sustainability statement to improve readability and digital accessibility, while avoiding fragmentation. The overall objective is to ensure connectivity between the sustainability statement and other parts of corporate reporting.

ESMA reminds issuers of the [public statement¹⁰ issued on 20 June 2025](#) which highlighted, among other matters, the uneven transposition of the CSRD across EU Member States. Considering these circumstances, ESMA confirms that enforcement will acknowledge the importance of a proportionate and balanced approach, as also reiterated in the [MFSA’s Circular dated 07 July 2025](#).¹¹

Section 3 addresses the priority related to **ESEF reporting**. In examining 2025 AFRs subject to ESEF reporting requirements¹² containing consolidated financial statements, ESMA and enforcers will be targeting the respective **areas of common ESEF filing errors** identified in the **Statement of Cash Flows**:

- Correctness of mark-ups;
- Completeness and consistency of mark-ups;
- Structural, presentation and calculation correctness;
- Extension taxonomy elements and anchoring; and

¹⁰ ESMA statement: [Navigating change together: ESRS supervision in the Omnibus environment](#).

¹¹ MFSA Circular: [ESMA Publishes Public Statement on Navigating Change Together: ESRS Supervision in the Omnibus Environment](#).

¹² Regulatory technical standards (RTS) 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 \(OJ L 143, 29.5.2019, p. 1\)](#).

- Correctness of signs, scales and numerical representation.

Issuers are reminded to consult the updated ESEF Reporting Manual and the Regulatory Technical Standards (“RTS”) on ESEF.

Section 4 provides **general considerations and reminders** which, although not enforcement priorities, are important for maintaining transparency and consistency in reporting. ESMA encourages issuers, auditors and supervisory bodies to consider them when preparing, auditing, or supervising AFRs, as they may relate to future reporting periods, management report disclosures, or past publications. ESMA highlights the following general considerations and reminders:

- Connectivity and consistency between financial and sustainability statements – ESMA encourages consistency in climate-related disclosures and referencing the IASB’s illustrative examples that demonstrate how financial and sustainability information can be integrated;
- Considerations on IFRS financial and ESEF reporting – ESMA draws attention to the following upcoming IFRS developments:
 - the **amendments to IFRS 9 and IFRS 7**, effective from 1 January 2026, which address issues such as **power purchase agreements**, **electronic settlement of financial liabilities**, and assessment of **contractual cash flow characteristics of financial assets**, including those with environmental, social and governance (“ESG”)-linked features; and
 - the **impact of IFRS 18¹³ on financial statements, reporting systems and communications**.
- Considerations on alternative performance measures (“APMs”) – ESMA reminds issuers to maintain consistency over time in their APM definitions and calculations to enhance accuracy, comparability and data quality.

3.0 Next Steps

Through the Public Statement, ESMA and European NCAs will incorporate the 2025 priorities into their supervisory work on the 2025 AFRs and sustainability reports. In this respect, ESMA advises issuers, auditors, and supervisory bodies to integrate the 2025 priorities included in the Public Statement when preparing, auditing, and supervising the 2025 AFRs.

4.0 Contacts

Should you have any queries relating to the above, kindly contact the Authority on transparency@mfsa.mt. For any inquiries specifically relating to ESEF, please contact esef.malta@mfsa.mt.

¹³ Although not yet endorsed.