

19 October 2026

## ESMA European Common Enforcement Priorities for 2026 Annual Financial Reports and Publication of the 31<sup>st</sup> FRWG (EECS) Extract of Enforcement Decisions

### 1.0 Background

The Authority would like to bring to your attention the [Public Statement on the European Common Enforcement Priorities \("ECEP"\) for the 2026 Annual Financial Reports \("AFRs"\) of listed issuers](#), as published by the European Securities and Markets Authority ("ESMA") on 13 October 2026 (hereinafter referred to as the "Public Statement").

The Public Statement sets out the key areas of focus that European National Competent Authorities ("NCAs") will consider when assessing compliance with IFRS financial reporting requirements, sustainability reporting requirements, and European Single Electronic Format ("ESEF") reporting obligations for the 2026 AFRs<sup>1</sup> and is structured as follows:

- **Section 1:** Priorities related to IFRS financial statements
  - Geopolitical risks and uncertainties
  - Restructuring provisions and debt restructuring
- **Section 2:** Priorities related to sustainability statements
  - Continuing the progress along the materiality learning curve
  - Providing connected information on Impacts, Risks and Opportunities ("IROs"); Policies, Actions and Targets ("PATs"); and metrics
- **Section 3:** Priority related to ESEF reporting
  - Common errors found in the Statement of Changes in Equity
- **Section 4:** General considerations and reminders
  - Specific topics considered important and relevant by ESMA

ESMA has also published the [31st Extract from the FRWG \(EECS\)'s Database of Enforcement](#) containing seven enforcement decisions relating to IFRS Accounting Standards and ESMA's Guidelines on Alternative Performance Measures ("APMs").

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<sup>1</sup> As defined by Article 4 of [Directive 2004/109/EC](#) of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

## 2.0 Overview of Priorities

**Section 1** outlines two main areas of focus for **IFRS financial statements** for the 2026 AFRs, as follows:

- **Geopolitical risks and uncertainties** – ESMA notes that geopolitical tensions, sanctions, trade restrictions, changes in trade flows, inflationary pressures and regional conflicts continue to create significant uncertainty for issuers. Whilst highlighting the matters raised in its [2025 ECEP Statement](#), ESMA further focuses on the following:
  - **Liquidity risk and liquidity management:** Particular attention is expected in relation to liquidity risk disclosures, liquidity management strategies, financing arrangements, covenant compliance, restricted cash balances and maturity analyses. Issuers are expected to provide entity-specific disclosures explaining sources of liquidity, funding arrangements and risks arising from debt concentrations.
  - **Fair value measurement and disclosures:** The Public Statement also highlights fair value measurements. Issuers should ensure that valuation methodologies appropriately capture current market conditions and estimation uncertainty. Moreover, whilst promoting the use of relevant observable market inputs, special attention should be given to Level 3 fair value measurements, sensitivity disclosures and significant assumptions.
  - **Non-current assets held for sale and discontinued operations:** Where issuers classify assets or disposal groups as held for sale or discontinued operations, the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* should be carefully considered together with appropriate disclosures explaining management's judgements and assumptions. Financial institutions are encouraged to reassess expected credit loss models and overlays to ensure that macroeconomic and geopolitical developments are properly reflected.
- **Restructuring Provisions and Debt Restructuring** – ESMA reminds issuers that restructuring provisions may only be recognised where IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* criteria have been satisfied and where a constructive obligation exists. Issuers are encouraged to provide transparent disclosures describing the nature of restructuring programmes, significant expenditure categories and expected future cash outflows.

The Public Statement further highlights debt restructuring transactions. Modifications of financial liabilities should be assessed under IFRS 9 *Financial Instruments* to determine whether derecognition is appropriate. Both quantitative and qualitative factors should be considered. Where debt modifications are material, issuers are expected to disclose entity-specific accounting policies, significant judgements and the corresponding quantitative effects.

**Section 2** recognises that financial year 2026 represents a transitional year for **sustainability reporting** given the evolving EU sustainability reporting framework.<sup>2</sup> ESMA reminds in-scope issuers to clearly disclose the reporting framework applied and any transitional reliefs used whilst noting the following priorities:

- **Continuing the progress along the materiality learning curve** – ESMA continues to emphasise robust double materiality assessments. Issuers should clearly explain how material impacts, risks and opportunities have been identified and assessed, ensuring that a sufficiently balanced view of the issuer is provided. Disclosures should avoid boilerplate language and instead provide entity-specific explanations regarding methodologies, governance, stakeholder engagement and materiality judgements.
- **Providing connected information on IROs, PATs and metrics** – ESMA expects stronger connectivity between identified impacts, risks and opportunities, the policies, actions and targets adopted by the undertaking, and the metrics disclosed. Users of sustainability statements should be able to clearly understand how material sustainability matters are managed and how performance is measured.

With reference to the EU Taxonomy framework<sup>3</sup>, it is noted that although the 2026 ECEP do not include specific recommendations, the considerations outlined in previous years continue to apply. In this regard, ESMA confirms that enforcers will continue monitoring EU Taxonomy disclosures.

**Section 3** addresses the priority related to **ESEF reporting**. For issuers subject to ESEF requirements, ESMA and enforcers will focus on common recurring filing errors in the issuers' **Statement of Changes in Equity**, whereby reference may be made to the following:

- Correctness of markups;
- Completeness and consistency of markups;
- Structural, presentation and calculation correctness;
- Extension taxonomy elements and anchoring; and
- Correctness of signs, scales and numerical representation.

Issuers remain responsible for ensuring that submitted ESEF reports comply with the ESEF Regulation, the RTS on ESEF and the ESEF Reporting Manual, latter of which may be particularly consulted for detailed implementation guidance.

**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

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<sup>2</sup> It is noted that the applicability of the respective sustainability reporting requirements may *inter alia* depend on the status of the transposition of the relevant legislation in the corresponding EU Member States.

<sup>3</sup> The Climate Delegated Act, the Environmental Delegated Act and the Disclosures Delegated Act are under revision at the time of writing.

report disclosures, or past publications. ESMA highlights general considerations and reminders relating to the following topics:

- The implementation of **IFRS 18 *Presentation and Disclosure in Financial Statements***, which becomes effective for annual reporting periods beginning on or after 1 January 2027 and requires comparative information for the preceding period. On this basis, in the 2026 AFR, issuers should provide the entity-specific expected impact of IFRS 18. Consideration should be additionally made to the impact of IFRS 18 on **ESEF reporting** and **APMs**.
- Preparation for **future sustainability reporting** may include disclosures on previously set targets as well as consideration of the requirements of ESRS Set 2.

### **3.0 31st Extract from the FRWG (EECS) Database of Enforcement**

The 31<sup>st</sup> extract contains seven decisions which, although not intended to provide general IFRS interpretations, are aimed at promoting supervisory convergence and consistent application of reporting requirements. The IFRS-related decisions in the extract relate to the following areas:

- Transfer of control in bill-and-hold arrangements;
- Fair value measurement of a stadium;
- Climate-related disclosures;
- Capitalisation of borrowing costs relating to general borrowings; and
- Disclosures regarding deferred tax assets and government assistance.

The extract also includes two decisions concerning application of the fair review principle under ESMA's APMs Guidelines.

Issuers, auditors and advisors are encouraged to review these decisions carefully and assess whether similar considerations may be relevant to their reporting circumstances.

### **4.0 Next Steps**

ESMA and European NCAs will consider the matters highlighted in ESMA's Public Statement when conducting supervisory and monitoring activities relating to 2026 annual financial reports.

Issuers, statutory auditors, audit committees and other stakeholders should carefully consider the priorities and recommendations set out in the ECEP package when preparing, auditing and reviewing annual financial reports.

Appropriate consideration should also be given to the enforcement decisions contained in the 31st FRWG extract.

## 5.0 Contacts

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