Report

2021 Corporate reporting enforcement and regulatory activities

ESMA32-63-1249 | 30 March 2022

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Abbreviations and acronyms

APM	Alternative Performance Measure
CEAOB	Committee of European Auditing Oversight Bodies
CESR	Committee of European Securities Regulators
CGU	Cash Generating Unit
Commission	European Commission
COVID-19	Coronavirus Disease 2019
DTA	Deferred Tax Asset
EBA	European Banking Authority
EBIT	Earnings Before Interest and Taxes
ECEP	European Common Enforcement Priorities
ECL	Expected Credit Loss
ED	Exposure Draft
EEA	European Economic Area
EECS	European Enforcers Coordination Sessions
EFRAG	European Financial Reporting Advisory Group
EFRAG TEG	European Financial Reporting Advisory Group Technical Expert Group
EIOPA	European Insurance and Occupational Pensions Authority
ESEF	European Single Electronic Format
ESG	Environmental, Social and Governance
ESMA	European Securities and Market Authority
EU	European Union
GAAP	Generally Accepted Accounting Principles
GLEFI	Guidelines on Enforcement of Financial Information

GLEIF	Global Legal Entity Identifier Foundation
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretation Committee
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
ISA	International Standards on Auditing
IT	Information Technology
ITCG	IFRS Taxonomy Consultative Group
KPI	Key Performance Indicator
POCI	Purchased or Originated Credit Impaired
Q&A	Questions and Answers
RTS	Regulatory Technical Standards
SSB	Sustainability Standards Board
US SEC	United States Securities and Exchange Commission
XBRL	Extensible Business Reporting Language

Legislative references

Accounting Directive	Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (as amended)
Audit Regulation	Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC
ESEF Regulation	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 (as amended)
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (as amended)
General Data Protection Regulation / GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC
IAS Regulation	Regulation (EC) No 1606/2002 of 19 July 2002 of the European Parliament and of the Council on the application of International Accounting Standards
Non-Financial Reporting Directive / NFRD	Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the

	prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended)
Sustainable Finance Disclosure Regulation / SFDR	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector
Taxonomy Regulation	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088
Transparency Directive	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 (as amended)

1 Executive summary

This report provides an overview of the activities of ESMA and of national enforcers in the European Economic Area (EEA), hereafter enforcers, when examining compliance of financial and non-financial information provided by issuers in 2021. It furthermore presents the main activities contributing to supervisory convergence performed at European level and quantitative information on enforcement activities in Europe.

Enforcement of financial reporting

Enforcement of IFRS reporting

Enforcers undertook 711 examinations (729 in 2020) of financial statements drawn up in accordance with International Financial Reporting Standards (IFRS), constituting an examination rate of 17% of issuers listed on European regulated markets preparing financial statements in accordance with IFRS (the 2020 examination rate was also 17%).

Of the 711 examinations undertaken, 619 were undertaken as ex-post examinations (689 in 2020) and, based on these examinations, European enforcers took enforcement actions against 250 issuers (265 in 2020) in order to address material departures from IFRS. This represents an action rate of 40% (the 2020 action rate was 38%). 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. The material departures from IFRS related to recognition, measurement and/or disclosure issues since the concept of materiality is pervasive to the financial statements as a whole. In particular, omitting, obscuring, or misstating material information in the notes could reasonably be expected to influence decisions that primary users of the financial statements make on the basis of those financial statements.

In order to assess the extent to which issuers took into account ESMA's European Common Enforcement Priorities (ECEP) for 2020 year-end IFRS financial statements, during 2021 European enforcers examined whether a sample of 166 issuers complied with the aspects highlighted in the ECEP. These examinations led to 39 enforcement actions being taken in relation to the 2020 enforcement priorities regarding the application of IFRS 16.

As in previous years, to ensure supervisory convergence in the area of accounting enforcement, European enforcers submitted a high number of issues to the European Enforcers Coordination Sessions (EECS) during 2021 – 49 emerging issues and 40 decisions.

In addition to the recurring activities summarised above, ESMA undertook a number of other activities during 2021 to promote the effective and consistent application of IFRS. These included in particular, ESMA's letter to the European Commission with proposals to improve the Transparency Directive after the 2020 Wirecard case. ESMA also publishing two reports on the application of IFRS requirements by issuers with the objective of assessing their level of compliance, transparency and comparability. One of these reports relates the application of IFRS 10, IFRS 11 and IFRS 12 (Consolidation Package), the other one provides an overview of the application of the principles and requirements of IFRS 7 and IFRS 9 related to the measurement and disclosure of expected credit losses (ECL).

Over the course of 2021, ESMA continued to actively participate in the accounting standard-setting process by providing the views of European enforcers on all relevant projects of the International Accounting Standards Board (IASB) and by contributing to the discussions in the Board and Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG). As part of these activities, ESMA provided feedback on EFRAG's draft comment letters addressing the IASB exposure drafts, on the IASB discussion paper on accounting for business combinations under common control, as well as on the IASB's request for information (RfI) on the Third Agenda Consultation. ESMA submitted three agenda item requests to the IFRS Interpretations Committee (IFRS IC) in relation to issues where ESMA identified diversity in application of the accounting standards and provided comments on one IFRS IC tentative agenda decision. ESMA also provided comments on EFRAG's draft letter to the European Commission regarding endorsement of IFRS 17.

Enforcement of APM reporting

Regarding alternative performance measures (APMs), European enforcers examined 537 management reports to assess compliance with ESMA's APM Guidelines, representing 13% of all IFRS listed issuers in Europe. Based on these examinations, enforcement actions were taken in relation to 97 issuers, constituting an action rate of 18%.

Enforcement of non-financial reporting

In 2021, European enforcers examined 711 issuers (737 in 2020) for the purpose of assessing the disclosures in the non-financial statements prepared in accordance with Articles 19a and 29a of the Accounting Directive, representing 36% of the total estimated number of listed issuers[1] required to publish a non-financial statement (37% in 2020). In case of infringements, enforcers followed up with issuers by taking actions within the meaning of ESMA's Guidelines on Enforcement of Financial Information (72) which represents an action rate of 10% (5% in 2020).

Enforcers furthermore assessed the extent to which European issuers had taken account of ESMA's considerations on non-financial disclosures in the 2020 ECEP Statement (notably 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). To this end, the non-financial statements of 116 issuers were examined, leading to enforcement actions towards issuers who did not comply with the requirements highlighted in the ECEP Statement relating to 19 infringements.

Through its observership on the EFRAG Project Task Force that is preparing technical advice to the European Commission on European Sustainability Reporting Standards (ESRS), ESMA monitored in 2021 the development of the future ESRS and contributed its views from an enforcement perspective, notably on topics such as investor protection and alignment with other EU legislation and with international standard-setting.

[1] When excluding examinations related to checking only whether the non-financial statement had been prepared ("existence only"), the examination rate is 19%.

ESEF reporting

ESMA also undertook a number of activities in the area of electronic reporting by delivering a technical update to its previous regulatory technical standards on the ESEF, updating the XBRL taxonomy files to be used for ESEF, publishing an update to ESMA's ESEF Reporting Manual and publishing an update of the Conformance Suite test files.

2 Introduction

1. This report provides an overview of the activities related to the supervision and enforcement of financial and non-financial information carried out during 2021 by the national enforcers in the European Economic Area (EEA – hereafter referred to as enforcers)[2] and by ESMA.

2. The main objectives of the report are to:

   - Provide overarching messages to issuers and auditors to improve future financial and non-financial reports by assessing how issuers comply with IFRS and non-financial reporting obligations, and adhere to ESMA's recommendations, including the ECEP.

   - Provide an overview of the activities carried out by ESMA and enforcers in the area of financial and non-financial information to promote transparency and accountability to the market.

3. The structure of the report has been changed compared to previous years in order to allow readers to more easily locate information on topics of their interest. In line with the new structure, enforcement activities are presented separately for financial reporting, which includes IFRS reporting and APM reporting, and for non-financial reporting[3]. Additionally, a separate chapter is dedicated to ESEF reporting.

4. ESMA observes that the report mainly focuses on enforcement and regulatory activities related to issuers whose securities are admitted to trading on regulated markets (referred to as listed issuers for the remainder of the report). As such, the report does not cover all enforcement and regulatory activities undertaken by enforcers.

5. The main addressees of the report are issuers (the issuers' management as well as administrative and supervisory bodies, including audit committees), auditors and other professionals working in the field of corporate reporting who are already familiar with the work of ESMA and national enforcers and with the underlying reporting requirements.

[2] Please refer to Annex 1 for a list of the enforcers.

[3] The term "non-financial reporting" used in this report refers to the disclosure of non-financial information under Articles 19a and 29a of the Accounting Directive.

3 Enforcement of financial reporting

6. This chapter describes the main activities carried out by enforcers and by ESMA during 2021 with regard to financial reporting. The main focus of ESMA's enforcement activity in this area is on the requirements of the Transparency Directive (Directive 2004/109/EC) in relation to the application of the IAS Regulation (Regulation (EC) No 1606/2002) and as such on issues related to IFRS as endorsed by the EU (IFRS reporting, see chapter 3.2). In addition, this chapter presents the enforcement activities regarding alternative performance measures (APMs) which are disclosed outside IFRS financial statements but in documents within the scope of regulated information, such as management reports prepared in accordance with the Transparency Directive (see chapter 3.3).

3.1 Number of issuers under enforcement

7. At the end of 2021, approximately 4,200 issuers preparing IFRS financial statements were admitted to trading on a regulated market, of which around 3,500 prepared IFRS consolidated financial statements and around 700 prepared only IFRS non-consolidated financial statements. These numbers remained broadly stable compared to 2020. For country-by-country information on the number of issuers, please refer to Annex 2.

3.2 IFRS reporting

3.2.1 How is IFRS reporting enforced

3.2.1.1 The Guidelines on Enforcement of Financial Information

Background

8. On the basis of Article 16 of the ESMA Regulation (Regulation (EU) No 1095/2010), in 2014 ESMA published its Guidelines on Enforcement of Financial Information (ESMA/2014/1293), aiming at strengthening supervisory convergence in the enforcement practices amongst the competent authorities designated in each EEA country.[4] In February 2020, a revised version of the Guidelines was published.[5] In this revised version, changes had been made to Guidelines 5, 6 and 8, two new Guidelines 6a and 6b had been added and amended definitions of the types of examinations which enforcers can undertake had been included. The revisions to the Guidelines became effective on 1 January 2022. The remainder of this section, as well as the data collected based on the Guidelines throughout this report, therefore refers to the original, 2014 version of the Guidelines.

[4] A list of enforcers is included in Annex 1.
[5] ESMA32-50-218 Guidelines – On enforcement of financial information, 4 February 2020

9. Enforcers are required to confirm in writing to ESMA whether they comply, intend to comply or do not (intend to) comply with the Guidelines. Currently, 26 of 30 EEA countries have indicated to ESMA that they comply with the Guidelines as published in 2014.[6]

Focus

10. The Guidelines define the objectives of enforcement, the characteristics of enforcers and set out the principles to be followed throughout the enforcement process, such as selection methods, examination procedures and enforcement actions. They also strengthen the convergence of enforcement activities at European level by defining the ECEP and providing enforcers with a forum to coordinate their views on accounting matters prior to taking significant enforcement decisions at national level.

11. The financial information of listed issuers is subject to enforcement, regardless of which reporting framework has been applied. Although the main focus for ESMA is on financial information drawn up in accordance with IFRS as endorsed by the EU (for consolidated and non-consolidated financial statements), the enforcers also examine financial information prepared in accordance with:

- National GAAP (for non-consolidated financial statements),
- Third country accounting standards, if those are deemed equivalent to IFRS as endorsed in the EU (for financial statements of non-European issuers).

Key definitions and concepts

12. "Enforcement" refers to examining compliance of financial information with the applicable financial reporting framework as well as taking appropriate measures when infringements are identified.

13. Enforcers identify the most effective way for enforcement of financial information. Each enforcer's selection of issuers for examination is based on a mixed model whereby a risk-based approach is combined with sampling and / or rotation. A risk-based approach considers the risk of a misstatement as well as the impact of a misstatement on the financial markets. Enforcers can use either unlimited scope examinations or a combination of unlimited scope and focused examinations of financial information of issuers selected for enforcement.

14. An unlimited scope examination entails the evaluation of the entire content of the financial information, while a focused examination refers to the evaluation of pre-defined issues / areas in the financial information and the assessment of whether this information is compliant with the relevant financial reporting framework. The depth and scope of an examination procedure cannot be equated with those of an audit of financial statements.

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[6] ESMA32-67-142 Guidelines compliance table – *Guidelines on enforcement of financial information (ESMA/2014/1293 Rev)*, 20 January 2021

15. According to Guideline 7, when a material misstatement is detected, enforcers should, in a timely manner, take at least one of the following actions:

- Require a reissuance of the financial statements: This action leads the issuer to publish revised financial statements which are subject to a new audit opinion,
- Require a corrective note: This action entails that either the issuer or the enforcer itself publishes a material misstatement with respect to the particular item(s) included in already published financial information along with the corrected information, or
- Require correction in future financial statements with restatement of comparatives, where relevant: When an enforcer takes this action, the issuer either adopts an acceptable treatment in the next accounts and, where relevant, corrects the prior year by restating the comparative amounts or includes additional disclosure not requiring the restatement of comparatives.

16. When deciding which type of action to apply, enforcers should consider that the final objective is that investors are provided with the best possible information and an assessment should be made as to whether the original financial statements and a corrective note provide users with sufficient clarity for taking decisions or whether a reissuance of the financial statements is more appropriate. Other factors should also be considered, namely timing, the nature of the decision and the surrounding circumstances.

17. Furthermore, enforcers seek to improve the quality of future financial statements by engaging in activities designed to provide helpful guidance to issuers, such as defining enforcement priorities and / or a pre-clearance procedure.[7] Even when no enforcement actions are required, the enforcers often make recommendations during the examination process on how certain disclosures could be improved by issuers.

3.2.1.2 Coordination of enforcement

European Enforcers Coordination Sessions (EECS)

18. ESMA's activities on supervisory convergence of enforcement are carried out mainly through the EECS, a forum of approximately 40 enforcers from the various EEA countries who act in the area of supervision and enforcement of financial information. The EECS is responsible for coordinating the supervision of approximately 4,200 listed issuers preparing IFRS financial statements and as such currently constitutes the largest regional enforcers' network with supervision responsibilities for IFRS.

19. According to Guideline 10, through the EECS, enforcers discuss and share their experiences with the application and enforcement of IFRS. In particular, they discuss those enforcement cases which fulfil the submission criteria set out in the Guidelines, either before or after decisions are taken. When time constraints do not allow for waiting until the

[7] In some jurisdictions, issuers may approach the enforcer before finalising their financial statements and seek a formal advice on whether a proposed accounting treatment is compliant with IFRS.

next EECS meeting to discuss an emerging issue (nine meetings took place in 2021), issues can be discussed in ad-hoc conference calls or through written procedure.

20. The purpose of the EECS discussions is to let enforcers benefit from the experience of other enforcers who have already encountered similar issues and to gather useful input for the analysis of technical issues. From the discussions of emerging issues and decisions, ESMA gains a sense of the application of IFRS in Europe and of the main topics which pose challenges to issuers. The discussions promote a consistent European approach in the application of IFRS, as enforcers are to take account of the outcome of previous discussions in the EECS when making enforcement decisions.

21. In addition to discussing supervisory cases, the EECS provides technical input on the issuance of ESMA statements and opinions on accounting matters which deserve specific focus. It also reviews accounting practices applied by European issuers to enable ESMA to monitor market developments and changes in those practices. Because of the coordination within the EECS, ESMA and enforcers are able to identify areas with a lack of guidance or divergent interpretations of IFRS. Such areas are subsequently referred to the IASB or the IFRS IC, as appropriate.

Coordination of IFRS enforcement decisions

22. In 2021, 49 emerging issues were discussed in the EECS, constituting a slight increase compared to 2020 where 45 emerging issues were discussed. As regards decisions, enforcers submitted 40 decisions to the EECS database, 11 of which were discussed, compared to 42 decisions submitted and 12 discussed in 2020. The majority of the decisions that were not discussed in the EECS had previously been discussed in the group as emerging issues. Furthermore, other topics were presented and discussed in a number of roundtables and thematic reviews.

23. The most common topics discussed in the EECS concerned issues related to the application of the accounting standards IFRS 15 *Revenue from Contracts with Customers,* IFRS 9 *Financial Instruments*, IAS 38 *Intangible Assets,* IAS 7 *Statement of Cash Flows* and IAS 36 *Impairment of assets*. Below, ESMA presents a more detailed description of some topics which were discussed in the EECS during 2021. It should be noted that these examples are neither intended to represent all types of issues discussed nor all areas where the application of IFRS was challenged by enforcers, but they serve to illustrate some of the issues found and discussed during the year:

- In relation to the application of IFRS 15, the main issues discussed related to the application of IFRS 15 in specific industries, the allocation of the transaction price to multiple performance obligations, the assessment of whether an entity acts as an agent or a principal and the presentation of revenue in the income statement.

- Discussions on IFRS 9 in the EECS focussed on issues related to the impact of sales on the determination of the business model for managing financial assets, uncertainties in the separation of embedded derivatives and the consideration of forecasts of future economic conditions in the measurement of expected credit losses (ECL). As in prior years, a dedicated, temporary task force shared experiences on the matters related to financial institutions, in particular on various aspects of ECL measurement.

- Issues discussed in relation to the accounting for intangible assets included amortisation of intangible assets (especially customer relationships) acquired in a business combination, determination as to whether certain expenditure meet the conditions for recognition as an intangible asset set out in IAS 38 and the measurement of non-monetary assets acquired through an exchange of assets.

- The topic of asset impairment mainly covered the uncertainties related to impairment testing for the right of use assets recognised under IFRS 16, the determination of the discount rate in an impairment test where the recoverable amount is based on the fair value less cost of disposal (FVLCD) and determined by a discount rate adjustment technique, and uncertainties in the determination of cash flows for the purpose of an impairment test in particular fact patterns.

- Finally, enforcers discussed that the disclosures required in paragraph 44A of IAS 7 were often missing, insufficient or inconsistent with other disclosures included in the financial statements. Enforcers often found that the information included in the notes as regards cash-flows did not allow users to evaluate the changes in liabilities arising from financing activities. Notably, information to distinguish which of the changes in liabilities result from cash-flows and non-cash changes was often missing.

EECS Database

24. To enable sharing of enforcement decisions and experiences among enforcers, in 2005 ESMA's predecessor CESR set up an internal database to which enforcers submit decisions taken within their national enforcement process. According to ESMA's Guidelines on Enforcement of Financial Information, enforcers should submit their emerging issues and enforcement decisions if they meet the criteria defined in the Guidelines.

25. At the end of 2021, the EECS Database contained 1,246 decisions and 660 emerging issues. As such, the database constitutes a large archive of knowledge and is an important source of information for enforcers when they make significant enforcement decisions.

26. Based on the contents of the EECS Database, ESMA publishes enforcement decisions taken by enforcers on a regular basis. The purpose of these publications is to help market participants understand which accounting treatments enforcers consider to be non-compliant with IFRS on specific cases and as such to contribute to the consistent application of the standards. In the course of 2021, ESMA published one such extract from its EECS Database, containing ten enforcement decisions.[8] ESMA will continue to publish extracts from the database and notes that its published decisions are included in the database of the International Organization of Securities Commissions (IOSCO).

[8] ESMA32-63-1192 25th Extract from the EECS's Database of Enforcement, 15 July 2021.

3.2.2 Main indicators of national enforcement activity

27. To monitor enforcement activity, ESMA collects data on the number of examinations performed and the number of actions taken by enforcers. The examination and action rates presented in this section are based on the number of listed issuers which prepare IFRS financial statements at the end of 2020 as presented in section 3.1. Additionally, circa 50 issuers prepared consolidated financial statements under third country Generally Accepted Accounting Principles (GAAP) deemed equivalent to IFRS.

28. Table 1 below presents aggregated information on the number of issuers whose financial information was examined by enforcers over 2021. As can be seen, in 2021 enforcers performed 458 unlimited scope examinations of the financial statements of IFRS issuers, covering financial statements of around 11% of listed IFRS issuers in Europe (10% in 2020). In addition, the financial statements of 253 IFRS issuers were subject to focused examination, representing a coverage of around 6% of listed IFRS issuers (7% in 2020).

***Table 1:** Issuers examined during 2021*

	Number of issuers examined			
	Unlimited scope	*Focused*	***Total 2021***	*Total 2020*
EXAMINATIONS OF FINANCIAL INFORMATION IN FINANCIAL REPORTS				
- ***Ex-post examinations***	392	227	**619**	689
Annual IFRS financial statements	373	212	**585**	630
Interim IFRS financial statements[9]	19	15	**34**	59
- ***Pre-clearances***	0	4	**4**	7
EXAMINATIONS OF FINANCIAL STATEMENTS IN PROSPECTUSES[10]				
Financial statements in prospectuses	66	22	**88**	33
Total number of issuers preparing IFRS financial statements subject to examination	458	253	**711**	729
Ex-post examinations of financial statements prepared using third country GAAP deemed equivalent to IFRS	2	2	**4**	3

[9] Where both the interim and annual financial statements of an issuer were examined, only the latter examination is counted.

[10] Please note that only examinations of financial statements in prospectuses relate to successful initial public offerings (IPOs) and first admissions to trading carried out in accordance with Guideline 6 of ESMA's Guidelines on Enforcement of Financial Information are counted in these statistics (examinations of prospectuses that do not effectively lead to a listing are not counted). The majority of enforcers review financial statements contained in prospectuses as part of their procedures to approve prospectuses. Therefore, when prospectus review is based on the Prospectus Regulation rather than on the Guidelines on Enforcement of Financial Information, they are not taken into account for the purpose of this report.

29. Altogether, in 2021 the financial statements of 711 issuers, corresponding to 17% of listed issuers preparing financial statements under IFRS, were subject to examination by enforcers (17% in 2020). Of these, 619 IFRS issuers were subject to ex-post examinations (689 in 2020). Furthermore, enforcers performed follow-ups of examinations completed in previous years on 156 issuers. Such follow-ups are not included in the statistics above.

30. Table 2 puts countries into clusters, depending on how many listed issuers prepare IFRS financial statements (see Annex 2 for more detail).

***Table 2:** IFRS issuers per country at 2021 year-end*

Number of IFRS issuers	Countries
1-99	Austria, Cyprus, Czech Republic, Estonia, Hungary, Iceland, Ireland, Latvia, Lithuania, Malta, Portugal, Romania, Slovakia, Slovenia
100-249	Belgium, Croatia, Denmark, Finland, Greece, Italy, Luxembourg, Netherlands, Spain
250-399	Bulgaria, Norway, Poland, Sweden
≥400	France, Germany

31. Table 3 shows that enforcers took actions in 40% of the ex-post examinations performed during 2021 (38% in 2020).

__Table 3:__ Examinations and actions for IFRS issuers in 2021[11]

	Issuers per cluster - end of 2020	Issuers subject to unlim. scope exam.	Unlim. scope exam. rate	Issuers subject to exam.	Exam. rate[12]	Issuers subject to ex-post exam.	Issuers for which actions were taken	Sample action rate[13]
1-99 issuers	712	103	**14%**	150	**21%**	129	49	**38%**
100-249 issuers	1,300	144	**11%**	235	**18%**	209	65	**31%**
250-399 issuers	1,326	127	**10%**	201	**15%**	173	71	**41%**
>400 issuers	827	84	**10%**	125	**15%**	108	65	**60%**
2021 indicators	**4,165**	**458**	**11%**	**711**	**17%**	**619**	**250**	**40%**
2020 indicators	4,294	426	10%	729	17%	689	265	38%
2019 indicators	*4,377*	*453*	*10%*	*810*	*19%*	*767*	*253*	*33%*
2018 indicators	*4,538*	*539*	*12%*	*842*	*19%*	*780*	*248*	*32%*
2017 indicators	*4,641*	*600*	*13%*	*993*	*21%*	*857*	*274*	*32%*

32. Table 4 illustrates the overall distribution of the actions taken by enforcers during 2021 across the type of action, the type of financial statement and the type of issue to which they related. As in the previous year, in around 20% of the actions taken, enforcers required issuers to make immediate disclosure to the market by way of reissuance of the financial statements or the publication of a corrective note, while in the remaining 80% of actions enforcers considered a correction in the future financial statements sufficient. Please refer to Annex 4 for the disaggregated number of actions per country.

[11] Since the United Kingdom withdrew from the EU in 2020, the comparative figures do not include issuers from the United Kingdom.
[12] Number of issuers examined divided by total number of issuers.
[13] Number of issuers for which actions were taken divided by number of issuers subject to ex-post examination.

Table 4: *IFRS issuers for which actions were taken*[14]

	Relating to recognition and / or measurement		**Relating only to disclosure**[15]		**Total**
	Annual IFRS financial statements	*Interim IFRS financial statements*	*Annual IFRS financial statements*	*Interim IFRS financial statements*	
Require a reissuance of financial statements	3	3	0	1	**7**
Require a public corrective note	23	2	17	3	**45**
Require a correction in future financial statements	41	2	146	9	**198**
Total 2021	**67**	**7**	**163**	**13**	**250**
Total 2020	**98**	**7**	**136**	**24**	**265**
Total 2019	*79*	*8*	*156*	*10*	*253*
Total 2018	*89*	*23*	*115*	*21*	*248*
Total 2017	*175*		*99*		*274*

33. Around 30% of the actions taken during 2021 related to issues regarding recognition and / or measurement, while 70% of the actions related only to disclosure issues. ESMA emphasises that the concept of materiality is pervasive to the financial statements as a whole and that omitting, obscuring, or misstating material information in the notes could reasonably be expected to influence decisions that primary users of the financial statements make on the basis of those financial statements.

34. Lastly, Figures 1 and 2 present the areas in which enforcers took actions in 2021, relating to issues with recognition and / or measurement and issues with disclosure. In relation to both, similar to 2020, most actions were taken in four areas, namely financial instruments, impairment of non-financial assets, presentation of financial statements and issues relating to revenue.[16]

[14] If an enforcer took two enforcement actions on the same issuer (e.g. required a corrective note and a correction in future financial statements), only the most severe action is counted.
[15] Actions defined as relating to disclosure only are those actions requiring further disclosure or changes in the disclosure provided (including changes in the figures) but also include presentation issues which do not relate to measurement or recognition.
[16] With respect to recognition on the one hand and presentation and / or disclosure on the other hand.

Figure 1: *Areas addressed with enforcement actions in 2021 (issues with recognition and / or measurement)*

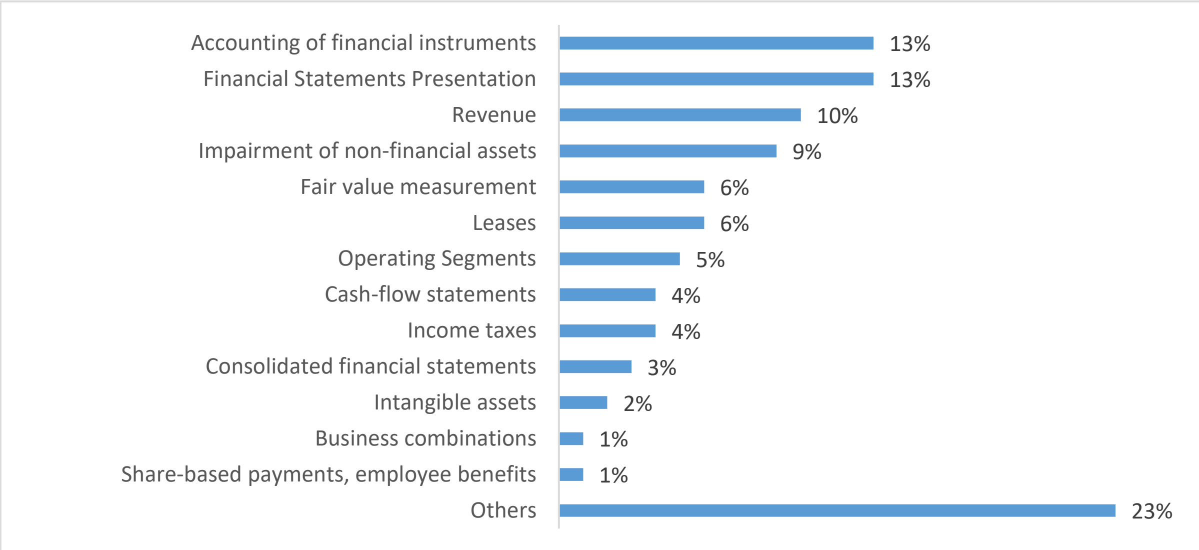
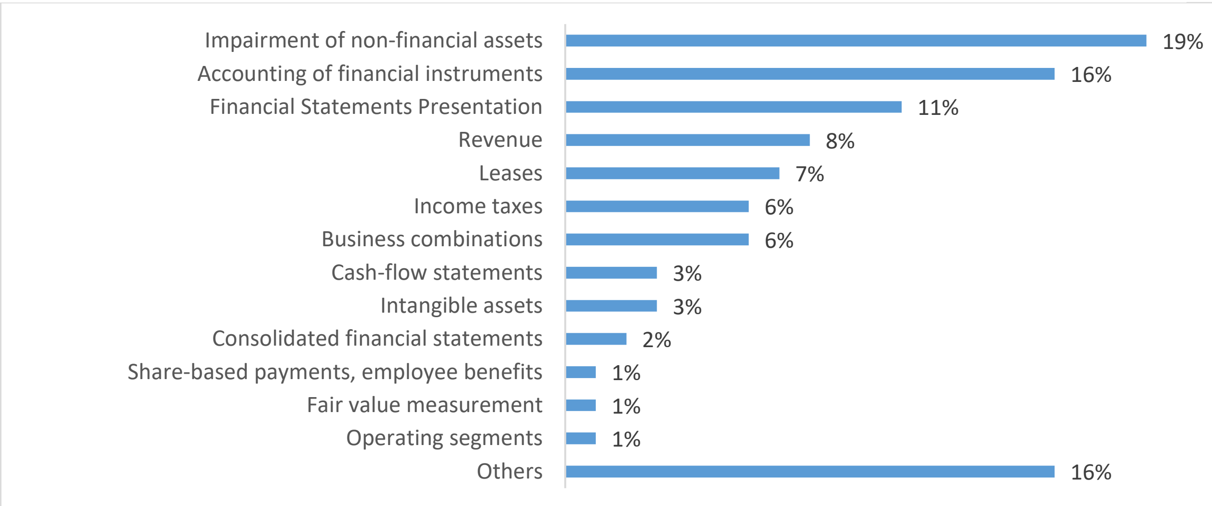


Figure 2: *Areas addressed with enforcement actions in 2021 (issues with disclosure)*



3.2.3 Assessment of compliance with 2020 ECEP Statement

35. Establishing European Common Enforcement Priorities (ECEP) is one of the important ways of creating supervisory convergence across the EEA. ESMA has developed ECEP on an annual basis since 2012 and has found that communicating certain priorities to stakeholders in this way before annual financial statements are prepared contributes to preventing misstatements and to enhancing the quality and consistency of corporate reporting across the EEA. ESMA published the priorities to be considered in the preparation of 2020 annual financial statements in October 2020 (hereafter referred to as the 2020 ECEP Statement).[17]

[17] ESMA32-63-1041 Public Statement – *European common enforcement priorities for 2020 annual financial reports*, 28 October 2020.

36. The 2020 enforcement priorities for financial statements drawn up in accordance with IFRS reflected the need to provide adequate transparency regarding the consequences of the COVID-19 pandemic, which were expected to affect several areas of the 2020 annual financial reports. They included specific pandemic-related issues in connection with the application of IAS 1 *Presentation of Financial Statements*, IAS 36 *Impairment of Assets*, IFRS 9 *Financial Instruments*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 16 *Leases*.

37. In order to analyse how the 2020 ECEP were applied, enforcers examined the annual financial statements of a sample of 166 issuers from 29 EEA countries. Issuers in the sample were not selected via random sampling, and, therefore, the findings in the sections below should not be extrapolated to the wider population of listed issuers in the EEA.

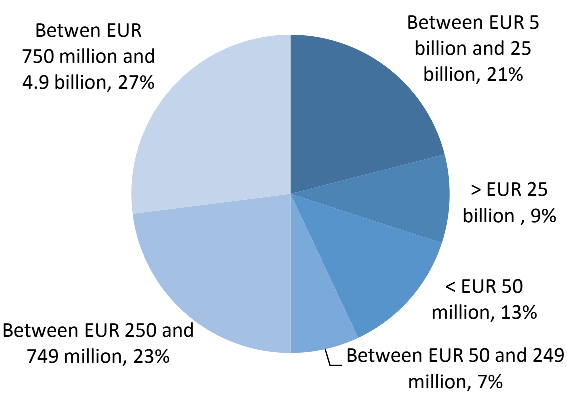
38. All findings in the following sections refer to the sub-sample of issuers for whom a given topic was relevant.

3.2.3.1 Application of IAS 1

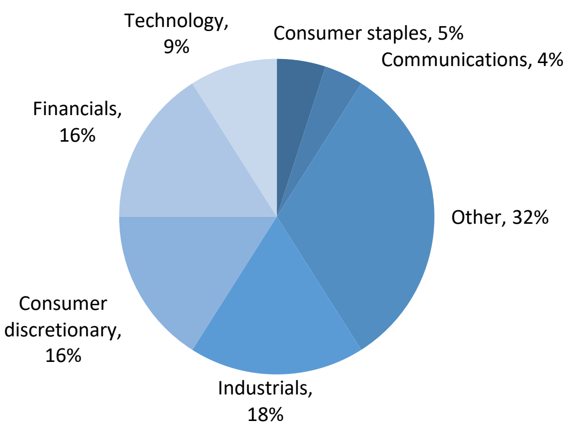
39. In order to assess application of IFRS requirements highlighted in the 2020 ECEP Statement on IAS 1, during 2021 enforcers examined the annual financial statements of 56 issuers. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 3: *Composition of the sample of issuers*

a) by total market capitalisation



b) by sector or activity



Analysis of information provided

Going concern assumptions

40. All issuers in the sample prepared their financial statements on a going concern basis.

41. 27% of issuers disclosed material uncertainties related to events or conditions that may cast significant doubt upon their ability to continue as a going concern, mainly referring to uncertainties resulting from the COVID-19 pandemic. 38% of issuers disclosed significant judgements in reaching the conclusion that there are no material uncertainties in relation to going concern.

42. When reviewing financial statements of issuers that did not disclose any material uncertainties or significant judgements in relation to going concern, enforcers did not identify any inconsistencies with other information presented and disclosed in the issuers' financial statements, including liquidity and other financial risks disclosures required by IFRS 7 and information in the audit options.

43. Looking at the disclosures of issuers that disclosed material uncertainties or significant judgements in relation to going concern, ESMA found that, in all cases, disclosures on significant judgements related to the going concern ability included information about the future, which is at least twelve months from the end of the reporting period. The disclosures of around 90% of these issuers on going concern assumptions were entity-specific.

44. ESMA noted that 24% of issuers provided only partial or very general information on factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

Significant judgements and estimation uncertainty

45. Only 60% of issuers disclosed information on significant judgements or major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. For another 5%, the information was too general, and 35% did not provide such disclosures. The information in the remainder of this sub-section relates only to issuers that have disclosed this information.

46. All issuers provided disclosures of significant judgements and estimation uncertainty consistent with major risks disclosed in other areas of the financial statements and the annual financial report.

47. Around three-quarters of issuers explained how COVID-19 affected significant judgements and various items in the financial statements. Issuers' disclosures on how COVID-19 affected significant judgements and estimation uncertainty were mainly related to the following areas: financial instruments (46% of issuers disclosed both judgements and estimation uncertainties), impairment assessment of non-financial assets (43%), income taxes (26%), leases (14%), revenue management (12%) and government grants (9%).

48. When presenting information about significant judgements or major sources of estimation uncertainty, 63% of issuers disclosed the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation. Besides the sensitivity disclosures for pension liabilities, issuers provided sensitivity analyses mainly with regard to financial

instruments (expected credit losses, foreign exchange risks and interest rate risks), goodwill and the impairment test.

Presentation of COVID-related items in the financial statements

49. ESMA observed that 86% of issuers disclosed information on the impact of the COVID-19 pandemic in their financial statements. 60% of these issuers provided qualitative and quantitative information, 29% only qualitative information and a few issuers disclosed only quantitative data.

50. 57% of issuers that provided disclosures on the significant impacts of COVID-19 did so in multiple notes and 43% did so in a single note. The vast majority of issuers that provide disclosures on the significant impacts of COVID-19 in multiple notes clearly cross-referenced the relevant notes.

51. In the 2020 ECEP Statement, ESMA emphasised that a separate presentation of COVID-19 impacts in the profit or loss statement may not faithfully represent an issuer's current and future overall financial performance and be misleading due to the pervasiveness of the impacts of the pandemic. ESMA noted positively that very few (5%) of the issuers reported separate line items with regard to the impacts of the COVID-19 pandemic in their profit and loss statements.

Enforcement actions

52. Enforcers took eight enforcement actions against the issuers in the sample, composed of five corrections in the future financial statements, three corrective notes and one reissuance of the financial statements. One enforcement action regarding going concern assumptions was related to the lack of detailed information on uncertainties regarding these assumptions. Enforcement actions with respect to significant judgements and estimation uncertainties related most notably to the measurement of inventories, the measurement of a specific litigation provision and the accounting for sale and leaseback transactions.

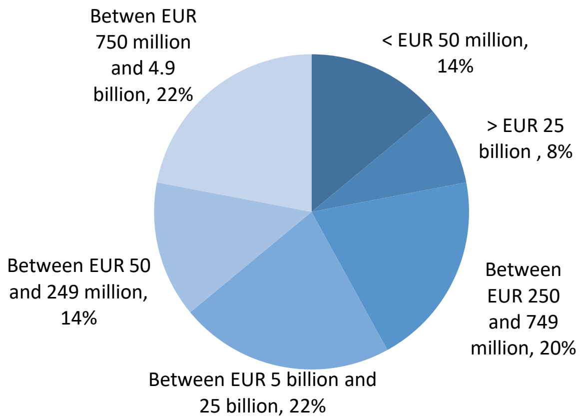
53. Examinations in relation to three issuers in the sample are still ongoing.

3.2.3.2 Application of IAS 36

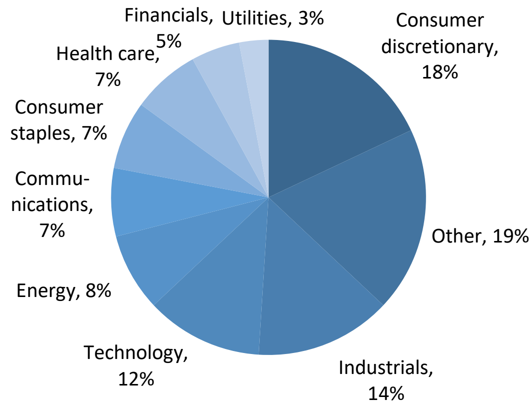
54. Enforcers assessed the way non-financial companies applied specific IAS 36 requirements highlighted in the 2020 ECEP based on a sample of 74 issuers that had material goodwill or intangible assets for which impairment requirements of IAS 36 apply. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 4: *Composition of the sample of issuers*

a) by total market capitalisation



b) by sector or activity



Analysis of information provided

55. 91% of issuers in the sample had material goodwill acquired in a business combination and 38% had material intangible assets with an indefinite useful life or intangible assets not yet available for use.

56. ESMA noted that around 10% of issuers did not provide sufficient disclosures on whether they updated assumptions on which management based the impairment test used in previous interim periods to reflect the latest available information and evidence. These issuers neither disclosed all material changes in assumptions nor explained changes of some parameters (e.g. terminal growth rate).

57. 66% of issuers provided transparency about how uncertainty in the recoverable amount calculation was incorporated into the impairment test: 34% of issuers adjusted the discount rate, 15% considered multiple possible future scenarios when estimating the future cash flows and 18% applied other measures (e.g. sensitivity analysis). About one third of the issuers did not disclose this information. Only 42% of issuers that considered multiple possible future scenarios when estimating the future cash flows disclosed the probability weights of the scenarios.

58. Enforcers did not observe any indications that issuers' cash flow estimates used in the value in use calculation included any future cash inflows or outflows expected to arise from future restructurings to which the issuer is not yet committed or from improving or enhancing the asset’s performance.

59. Regarding the impact of COVID-19, only 41% of issuers provided explanations on what time horizon was considered in terms of returning to pre-covid cash flows or normal activity. Only one third of issuers which included cash flows from government grants received in relation to the pandemic in recoverable amounts (around 10% of all issuers in the sample) disclosed the assumptions on which the consideration of these cashflows is based.

60. Around 35% of issuers provided a detailed disclosure of the sensitivity of the recoverable amounts of CGUs to significant changes in key operational, financial and other assumptions affected by COVID-19. 15% of issuers disclosed this information only partly (e.g. not for all significant assumptions) and another 20% provided no disclosures. For around 30% of issuers the disclosure was not relevant (e.g. due to sufficient headroom or very limited impact of COVID-19).

61. ESMA noted that only very few issuers (8%) disclosed sensitivity to the change of the time horizon considered for the expected timing to return to pre-crisis levels of economic activity.

Enforcement actions

62. Enforcers took 18 enforcement actions against the issuers in the sample (corrections in the future financial statements). Enforcement actions regarding measurement issues (four actions) related to the performance of assessment to identify if any indicators of impairment existed at the end of the reporting period and the need for performance of an impairment test for certain CGUs (e.g. separate impairment tests for two CGUs which were tested together).

63. Enforcement actions related to disclosures (14 actions) include, among others, missing disclosures on how uncertainty was factored into the impairment test, the time horizon considered in relation to returning back to pre-covid cash flows or normal activity, sensitivity information related to significant changes in key assumptions, growth rates used for impairment testing and cash flows from government grants. An issuer that disclosed a wide range of discount rates used in for impairment testing was instructed to disclose the ranges of discount rates per country.

64. Examinations in relation to 14 issuers in the sample are still ongoing.

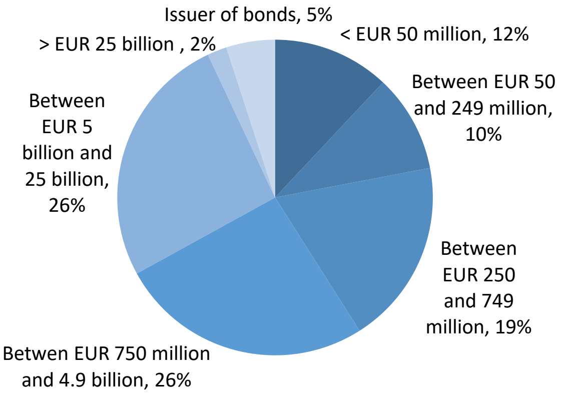
3.2.3.3 Application of IFRS 9/IFRS 7

a) General considerations relating to risks arising from financial instruments

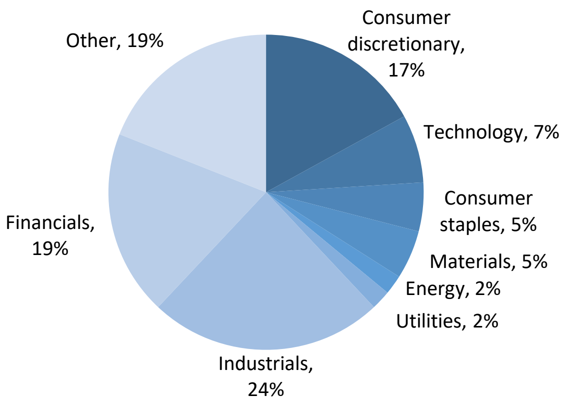
65. In order to assess the requirements of IFRS 7 and IFRS 9 with regard to general considerations on risks arising from financial instruments outlined in the 2020 ECEP Statement, enforcers examined the annual financial statements of 42 issuers that provided disclosures on the risks arising from financial instruments in their 2020 IFRS financial statements. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 5: *Composition of the sample of issuers*

a) by total market capitalisation



b) by sector or activity



Analysis of information provided

Risks relevant in COVID-19 context

66. ESMA observed that regarding risks arising from financial instruments, credit risks, liquidity risks and market risks were relevant in the COVID-19 context for a quarter of issuers in the sample. Two-thirds indicated relevance of credit risks and liquidity risks only and a further 8% did not see any specific risks related to COVID-19.

67. ESMA noted positively that for each type of financial risk almost all issuers disclosed exposures to this risk and how they arise. This also applies to objectives, policies and processes for risk management and the methods used to measure the risk. 60% of issuers disclosed significant changes with regard to risk exposures or risk management processes compared to the previous reporting period. Around 90% of issuers disclosed for each type of financial risk a summary of quantitative data about their exposure to that risk at the end of the reporting period.

68. 43% of issuers in the scope disclosed concentrations of financial risk. ESMA noted that 24% of those issuers did not provide description of how management determines all significant risk concentrations.

Liquidity risk

69. Looking at disclosures on significant changes in liquidity risk, ESMA observed that the majority of issuers in the sample provided disclosures on changes resulting from significant amounts of debt (60%) and new financial agreements (54%). Moreover, issuers provided explanations on changes related to debt renegotiations (41%) and breaches of debt covenants (20%).

70. While 86% of users disclosed a detailed maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) showing the remaining contractual maturities, the analyses provided by 7% of issuers were not sufficiently detailed

(e.g. the analysis of maturities of lease liabilities was not disclosed separately). 7% of issuers did not disclose this analysis.

71. A satisfactory maturity analysis for derivative financial liabilities, which includes the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows, was provided by 93% of issuers for which this analysis was relevant. For a further 7% of issuers, the analysis was not sufficiently detailed.

Reverse factoring arrangements

72. In the 2020 ECEP statement, ESMA highlighted that, in the context of liquidity risk disclosures, issuers should provide transparency on any arrangements that take the form of supply chain financing or, more specifically, reverse factoring transactions which may give rise to liquidity risks.

73. ESMA observed that 15% of issuers in the sample (six issuers) disclosed their material involvement in supply chain financing arrangements. Four of these issuers provided disclosures about how liabilities and cash flows related to reverse factoring arrangements are presented in the financial statements (in particular, if the liabilities that are part of reverse factoring agreements were presented within trade and other payables, within other financial liabilities or as a separate line item, and if the outflows related to those liabilities were classified as cash flows from operating activities or from financing activities). Two issuers provided no such disclosures.

74. Only three out of six issuers provided information on the amounts of liabilities that are part of a reverse factoring arrangement (the information was disclosed in the notes).

75. Two issuers provided additional information related to reverse factoring arrangements that was relevant to understanding the issuers' financial statements (e.g. issuers explained why the liabilities were presented within trade payables). The same number of issuers provided disclosures on their exposures to liquidity risk resulting from the reverse factoring arrangements.

Enforcement actions

76. Enforcers took three enforcement actions against the issuers in the sample (corrections in the future financial statements). The enforcement actions related to general considerations regarding risks arising from financial instruments. For example, one case involved a missing maturity analysis for non-current rental debts. Examinations in relation to seven issuers are still ongoing.

b) Specific considerations related to application of IFRS 9 for credit institutions

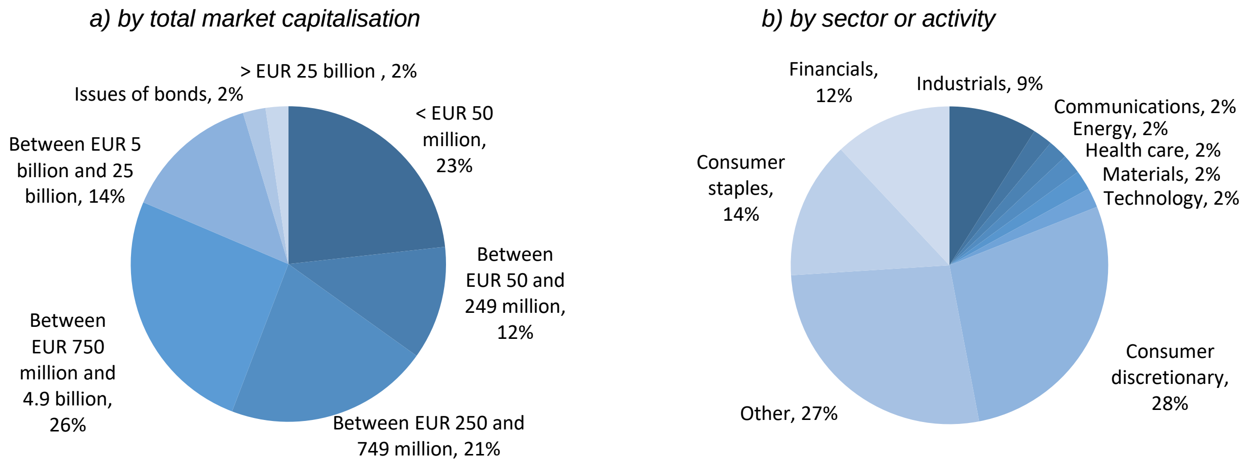
77. To assess the requirements of IFRS 7 and IFRS 9 related to the measurement and disclosure of expected credit losses (ECL) by credit institutions, ESMA conducted a review of financial statements of 44 banks from 21 jurisdictions in 2021 (we refer to section 3.2.4.2).

3.2.3.4 Application of IFRS 16

78. In order to assess the application of the IFRS requirements highlighted in the 2020 ECEP Statement on IFRS 16, enforcers examined during 2021 the annual financial statements of 43 issuers with material effects resulting from leases within the scope of IFRS 16. 74% of these issuers were primarily lessees, 19% were primarily lessors and 7% were both lessees and lessors.

79. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 6: *Composition of the sample of issuers*



Analysis of information provided

COVID-19 related rent concessions

80. 43% of lessees in the sample applied the practical expedient in paragraph 46A of IFRS 16 which provides relief to lessees when accounting for rent concessions, with a material impact on their financial statements. The information provided in the remainder of this sub-section relates only to those lessees.

81. ESMA noted positively that almost all issuers disclosed whether they applied the practical expedient to all rent concessions that meet the conditions in paragraph 46A. 75% of issuers applied the practical expedient to all rent concessions. 19% of issuers applied it to some rent concessions and explained the nature of the transactions to which the practical expedient has been applied.

82. Three quarters of issuers disclosed the amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which they applied the practical expedient. 25% did not provide this information.

83. Around 70% of issuers disclosed the nature of the change in their accounting policies due to the application of the practical expedient in IFRS 16.46A and explained that concessions

were accounted for as negative variable lease payments. A quarter of issuers did not provide this information.

COVID-19 impact on other rent-related disclosures

84. ESMA observed that around two thirds of the lessors in the sample disclosed information on the granted rent concessions. 42% of lessors disclosed both qualitative and quantitative information, 17% only quantitative and further 8% only qualitative information. 75% of lessors that disclosed that information provided adequate disclosures reflecting the risks that the current market conditions may result in significant changes in the assets subject to operating lease agreements. Disclosures of a further 25% were deemed insufficient.

85. ESMA welcomes the fact that around 90% lessees disclosed (if relevant and material) the following information:

- depreciation charge for right-of-use assets by class of underlying asset,
- interest expense on lease liabilities,
- expense relating to short-term leases accounted for applying the exemption in paragraph 6 of IFRS 16.
- expense relating to leases of low-value assets accounted for applying the exemption in paragraph 6 of IFRS 16.
- expense relating to variable lease payments not included in the measurement of lease liabilities,
- a maturity analysis of lease liabilities applying paragraphs 39 and B11 of IFRS 7 separately from the maturity analyses of other financial liabilities.

86. However, ESMA noted that the explanations of a third of the lessees that provided information on the extension and termination options required by paragraph 59(b)(ii) of IFRS 16 were not sufficiently detailed as some issuers provided only qualitative information and, in particular, did not disclose quantitative information about the effect on future cashflows due to these options.

87. The information provided by 83% of lessees was sufficient to understand the impact of COVID-19 on their financial position, financial performance and cash flows (if relevant and material). Disclosures of another 17% were not helpful, as they were for example not sufficiently detailed.

88. Finally, 68% of issuers (lessors and lessees) provided clear disclosures on the accounting policies that they applied when accounting for any relief measures granted or benefitted from (if relevant). The remainder provided either no (16%) or insufficiently detailed disclosures (16%). Examples of insufficient disclosures include lack of clarity as to whether the measures implied the modification of lease agreements, missing disclosures on the circumstances in which a rent deduction is reasonably secure and on the conditions that the issuer must meet in order to receive the reduction, as well as lack of transparency with regard to uncollected rents due to COVID-19.

Enforcement actions

89. The enforcers took five enforcement actions against the issuers in the sample (corrections in the future financial statements). One enforcement action concerned COVID-19-related rent concessions and resulted from missing details on expenses recognised for uncollected rents due to the pandemic. Enforcement actions related to other leasing-related disclosures included, among other topics, missing disclosures regarding variable lease options and maturity analysis for non-current rental debts and lack of clarity on the issuer's accounting policies.

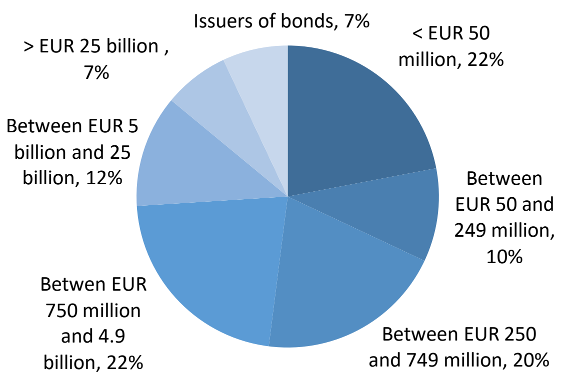
90. Examinations in relation to six issuers in the sample are still ongoing.

3.2.3.5 Priorities included in the 2019 ECEP Statement

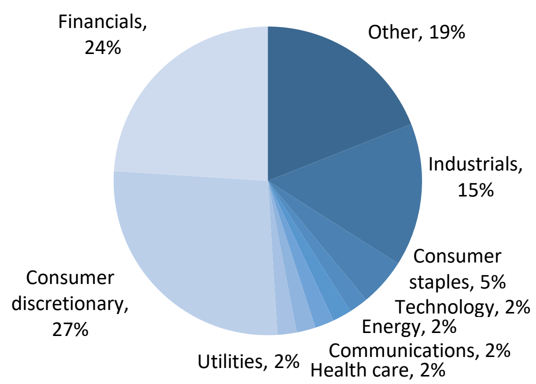
91. Due to unplanned activities in 2020 related to the COVID-19 pandemic, the assessment of the application of the requirements related to deferred tax assets arising from the carry-forward of unused tax losses in the financial statements of issuers was postponed to 2021. In order to assess application of these requirements, enforcers examined during 2021 the annual financial statements of 41 issuers with material deferred tax assets arising from the carry-forward of unused tax losses in excess of the amount of suitable existing taxable temporary differences. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 7: *Composition of the sample of issuers*

a) by total market capitalisation



b) by sector or activity



Analysis of information provided

92. 78% of the issuers in the sample suffered a loss in either the current or the immediately preceding period in the tax jurisdictions to which the deferred tax asset relates. ESMA noted that 38% of these issuers provided both positive and negative evidence regarding the

recognition of the deferred tax asset and another 25% only positive evidence.[18] Disclosures of 9% of issuers were insufficient or boilerplate. Moreover, 28% of issuers provided no evidence.

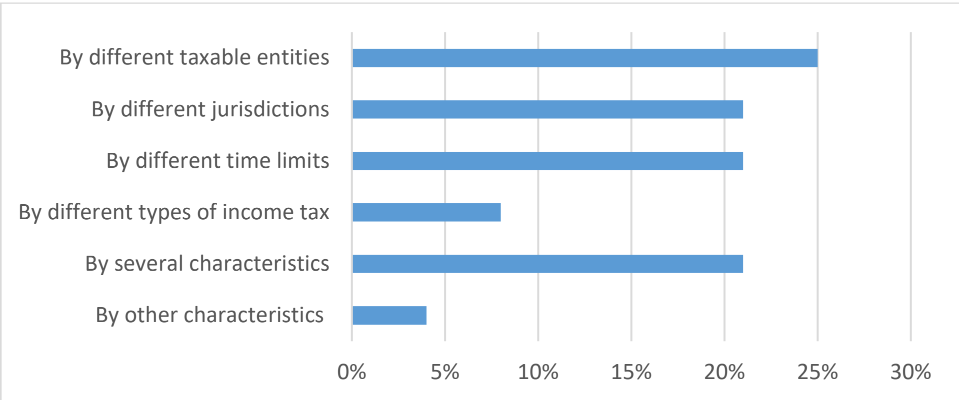
93. Enforcers found that 84% of issuers which suffered a loss in the current or the preceding period provided positive evidence that outweigh the negative evidence.

94. ESMA noted that 22% of issuers did not disclose specific assumptions made in their business plans supporting the recognition of the deferred tax asset and the information disclosed was not sufficient to assess whether the recognition of the deferred tax asset can be supported. Disclosures of another 17% were boilerplate or inconsistent with other information provided in their financial statements (e.g. the issuer referred to a budget without providing details of the assumptions used).

95. 17% of issuers that described the assumptions made in their business plans, provided a sensitivity analysis on the assumptions.

96. 60% of issuers disclosed the disaggregate deferred tax assets based on the characteristics of the tax losses (e.g. considering different jurisdictions in which tax losses will be used). The figure below shows the types of disaggregation used by these issuers.

***Figure 8:** Type of disaggregation of deferred tax assets*



97. 62% of issuers disclosed the period used for the assessment of the recovery of the deferred tax asset. 50% of those issuers provided the exact number of years per jurisdiction, 27% disclosed a range of years aggregated for several jurisdictions, and for 21% the number of years could be derived from other disclosed information (e.g. tax profit projections). For most issuers that provided this information the length of the recovery period was between 3 and 5 years. For 6 issuers, the recovery period was longer than 5 years.

[18] For more details see ESMA32-63-743 Public Statement, 15 July 2019

98. Finally, 69% of issuers disclosed the amount of deferred tax assets that were not recognised.

Enforcement actions

99. Enforcers took five enforcement actions against the issuers in the sample, composed of three corrections in the future financial statements and two corrective notes. One enforcement action regarding measurement issues is related to an overstatement of deferred tax assets. Enforcement actions related to disclosures include, among other issues, missing indication of positive and negative evidence supporting the recognition of DTA, missing disclosures of the period over which deferred tax assets are expected to be used and the sensitivity analysis carried out on the assumptions used, and failure to disclose the amounts and the main characteristics of the most significant unrecognised loss carry-forwards.

100. Another 7 examinations in relation to the issuers in the sample are still ongoing.

3.2.3.6 Conclusion on ECEP relating to IFRS annual financial statements

Application of IAS 1

101. ESMA welcomes the fact the examined disclosures on the going concern assumptions were generally entity-specific and consistent with other information presented in the financial statements.

102. However, ESMA reminds issuers of the importance to provide sufficiently detailed disclosures on the judgements that management has made in the process of applying the entity's accounting policies and disclosures about the major sources of estimation uncertainty, explaining in particular how COVID-19 affected such significant judgements and the degree of uncertainty in estimations and how, in turn, this impacted different items in the financial statements. Moreover, ESMA strongly recommends that issuers provide enhanced disclosures on the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculations.

Application of IAS 36

103. ESMA expects issuers to provide more transparency about how uncertainty in the recoverable amount calculation was incorporated into the impairment test according to IAS 36. For example, issuers that consider multiple possible future scenarios when estimating the future cash flows should disclose the probability weights of the scenarios.

104. Moreover, in the context of the COVID-19 pandemic, ESMA expects issuers to disclose what time horizon was considered in terms of returning to pre-COVID cash flows or normal activity and carefully consider providing information on the sensitivity of the recoverable amounts of CGUs to significant changes in key operational, financial and other assumptions affected by the pandemic.

Application of IFRS 9/IFRS 7

105. ESMA noted positively a good quality of information provided by issuers on their exposures to financial risks and how they arise. This also applies to objectives, policies and processes for risk managing and the methods used to measure the risk. ESMA recommends that issuers improve their disclosures on the concentrations of financial risk, in particular on how management determines concentrations. In addition, ESMA stresses the importance to disclose a sufficiently detailed maturity analysis of the financial liabilities as well as, where relevant, of the financial assets used to manage liquidity risk.

106. ESMA urges issuers to improve their disclosures on reverse factoring arrangements. Issuers are expected to provide information on the amounts of liabilities that are part of these agreements as well as additional information relevant to understanding the effect of these agreements on the issuers' financial statements and their exposures to liquidity risk.

Application of IFRS 16

107. With regard to COVID-19 related rent concessions, ESMA draws the attention of lessees, based on the examination results, to the disclosure of the amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the practical expedient was applied, as well as to the disclosure of accounting policies related to the application of the practical expedient.

108. Referring to other rent-related disclosures, ESMA urges issuers (lessors and lessees) to provide (where relevant) clear disclosures on the accounting policies that they applied to any relief measures granted or benefitted from. In addition, ESMA observed that the explanations of a significant number of lessees that provided information on the extension and termination options required by paragraph 59(b)(ii) of IFRS 16 were not sufficiently detailed and should be improved.

Application of IAS 12

109. In relation to the application of the requirements regarding deferred tax assets arising from the carry-forward of unused tax losses, ESMA emphasises the importance of providing more transparency on the judgement made by issuers regarding the evidence for the recognition of deferred tax assets and demonstration that the positive evidence outweigh the negative evidence.

110. In addition, ESMA urges issuers to disclose more details on the specific assumptions made in their business plans and encourages issuers to provide a sensitivity analysis on these assumptions.

Enforcement actions

111. Overall, enforcers took 39 enforcement actions against the 166 issuers in the sample. These actions mainly consisted of requiring the issuer to correct the relevant matter in the future financial statements. In addition to those actions undertaken within 2021, 61

examinations of 2020 IFRS annual financial statements were still open at the end of 2021. The sample action rate was 23%.

112. The table below reflects the distribution and types of actions across the standards examined for the purpose of the 2020 ECEP Statement.

Table 5: *Enforcement actions on the sample of issuers*

	IAS 1	IAS 36	IFRS 9/ IFRS 7	IFRS 16	IAS 12	Total
Reissuance of financial statements	2	0	0	0	0	**2**
Public corrective note	1	0	0	0	2	**3**
Correction in future financial statements	5	18	3	5	3	**34**
Total number of enforcement actions	**8**	**18**	**3**	**5**	**5**	**39**
Sample size	56	74	42	43	41	**166**[19]
Sample action rate	14%	24%	7%	12%	12%	**23%**

3.2.4 ESMA's other activities related to IFRS reporting

3.2.4.1 Proposals to improve the Transparency Directive

113. In February 2021, ESMA wrote a letter to the European Commission with proposals to improve the Transparency Directive[20]. ESMA recommended that the Commission considers modifying the Transparency Directive to (i) enhance cooperation between Transparency Directive enforcement authorities and other authorities across the EU, (ii) enhance coordination and governance at national level, (iii) strengthen independence of the enforcers and (iv) strengthen harmonised supervision of information across the EU. The proposed modifications are based on ESMA's experience gained while coordinating the enforcement of financial information in Europe, notably, when preparing reports, discussing supervisory cases or preparing statements and opinions. In addition, the letter addresses some of the deficiencies encountered when conducting the ESMA Peer Reviews on the application of Guidelines on Enforcement of financial information in 2017 and in the context of the Wirecard case.

[19] As examinations might cover several areas of the same set of IFRS financial statements, please note that the total number of issuers indicated in the table – 166 – is lower than the total of the sample size.
[20] ESMA32-51-818 Letter to the European Commission, 26 February 2021.

3.2.4.2 ESMA reports and public statements

114. As in previous years, ESMA and European enforcers agreed on European Common Enforcement Priorities related to IFRS financial statements in advance of the preparation, audit and publication of 2021 annual financial reports and published these in the 2021 ECEP Statement.[21]

115. Consistent with its objective to promote the effective and consistent application of IFRS, in 2021 ESMA published two reports on the application of the IFRS requirements by issuers with the objective of assessing their level of compliance, transparency and comparability. One report published in March 2021 relates the application of IFRS 10, IFRS 11 and IFRS 12 (Consolidation Package)[22] and also contributes to the IASB's Post Implementation Review (PIR) of these standards. Another report was published in December 2021 and provides an overview of the application of the principles and requirements of IFRS 7 and IFRS 9 related to the measurement and disclosure of expected credit losses (ECL) based on ESMA's review of the financial statements of European banks.[23] ESMA intends to leverage on the results of this review in its response to the IASB's request for information related to the Post-implementation Review (PIR) of impairment requirements of IFRS 9.

116. In its public statement on the application of the requirements of the Transparency Directive following Brexit[24] issued in March 2021, ESMA provided clarifications on the application of the Transparency Directive requirements by UK issuers with securities admitted to trading on regulated markets in the EU. Moreover, in January 2021 ESMA issued a public statement on transparency regarding the accounting for the third series of the ECB's Targeted Longer-Term Operations (TLTRO III).[25]

3.2.4.3 Contribution to the European endorsement process

117. In 2020, ESMA continued to be actively involved in the work of the European Financial Reporting Advisory Group (EFRAG) by participating as an official observer in the activities of EFRAG's Board and in its Technical Expert Group (TEG), where ESMA addressed the enforceability of standards and shared the experience of enforcers on the application of IFRS in Europe.

118. Furthermore, ESMA continued to contribute actively to the European endorsement process by participating as an official observer in the Accounting Regulatory Committee.

[21] ESMA32-63-1186 Public Statement – *European common enforcement priorities for 2021 annual financial reports*, 29 October 2021
[22] ESMA32-67-716 Report – *On the application of IFRS 10, IFRS 11 and IFRS 12*, 29 March 2021
[23] ESMA32-339-169 Report – *On the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECL)*, 15 December 2021
[24] ESMA32-63-1156 Public Statement, 31 March 2021
[25] ESMA32-339-149 Public Statement, 6 January 2021

119. ESMA published four letters providing feedback on EFRAG's draft comment letters addressing the IASB's exposure drafts (EDs) on proposed amendments to IAS 21[26] and on new proposals for a model to account for regulatory assets and regulatory liabilities[27], the IASB's discussion paper on accounting for business combinations under common control[28] as well as on the IASB's request for information (RfI) on its Third Agenda Consultation,[29] respectively. ESMA also provided comments on EFRAG's draft letter to the European Commission regarding endorsement of IFRS 17.[30]

3.2.4.4 Cooperation with the IASB

120. As in previous years, throughout 2021 a permanent ESMA working group composed of IFRS experts from 14 different enforcers together with ESMA staff met regularly to discuss major accounting projects. On this basis, ESMA submitted four letters to the IASB on the EDs, DP and RfI already mentioned in section 3.2.4.3. Additionally, ESMA submitted a letter on the IASB's RfI on the PIR of IFRS 10, IFRS 11 and IFRS 12.[31]

121. Furthermore, the EECS met twice with representatives of the IASB and the IFRS IC to discuss complex issues identified by enforcers and for which there is no specific IFRS guidance or where widely diverging application appeared to exist. Among others, specific questions related to the classification of financial instruments as equity, restructuring provisions or accounting for sale leaseback transactions were discussed. Whenever relevant, these discussions are taken into consideration by enforcers when carrying out enforcement activity.

122. Moreover, while not an official observer to the IFRS IC, ESMA contributed to the IFRS IC work by identifying and submitting agenda item requests in relation to three issues where ESMA identified diversity in application of the accounting standards, because the requirements were not considered sufficiently clear. These issues related to:

- Accounting for the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III) by banks,[32]
- Accounting treatment of rent concessions by lessors and lessees,[33] and

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[26] ESMA32-61-469 Letter to EFRAG *on IASB's Exposure Draft Lack of Exchangeability (Amendments to IAS 21)*, and ESMA32-61-466 Letter to IASB – *IASB's Exposure Draft Lack of Exchangeability*, 21 July 2021

[27] ESMA32-61-477 Letter to EFRAG *on IASB's Exposure Draft Regulatory Assets and Regulatory Liabilities*, and ESMA32-61-472 Letter to the IASB – *IASB's Exposure Draft Regulatory Assets and Regulatory Liabilities*, 20 July 2021

[28] ESMA32-61-467 Letter to EFRAG *on IASB's Discussion Paper Business Combinations Under Common Control*, and; ESMA32-61-455 Letter to the IASB – *IASB's Discussion Paper Business Combinations Under Common Control*, 21 July 2021

[29] ESMA32-61-468 Letter to EFRAG *on IASB's Request from Information – Third Agenda Consultation*, and; ESMA32-61-457 Letter to the IASB – *IASB's Request from Information – Third Agenda Consultation*, 23 September 2021

[30] ESMA32-61-438 Letter to EFRAG – *EFRAG's Draft Letter to the European Commission Regarding Endorsement of IFRS 17 Insurance Contracts as amended in June 2020*, 28 January 2021

[31] ESMA32-67-771 Letter to the IASB – IASB's Request from Information – Third Agenda Consultation, 29 March 2021

[32] ESMA32-339-151 Letter to the IFRS IC – *Agenda Item Request: Accounting for the TLTRO III transactions (IFRS 9, IAS 20)*, 9 February 2021

[33] ESMA32-67-790 Letter to the IFRS IC – *Agenda Item Request: Accounting for rent concessions by lessors and lessees (IFRS 9, IFRS 16)*, 21 July 2021

- Classification of shares issued by Special Purpose Acquisition Companies (SPAC) as equity or liability.[34]

123. In addition, ESMA provided comments on the IFRS IC's tentative agenda decision relating to the accounting for TLTRO III.[35]

3.3 APM reporting

3.3.1 How is APM reporting enforced

3.3.1.1 ESMA Guidelines on APMs

124. ESMA's Guidelines on APMs[36] were published on the basis of Article 16 of the ESMA Regulation in 2015 and became effective in 2016. The Guidelines on APMs set out principles for the presentation and disclosure of performance measures outside financial statements, such as labels, reconciliations and definitions, to ensure that issuers comply with the "true and fair view" principle when publishing APMs.

125. The Guidelines on APMs are addressed to issuers, whose securities are admitted to trading on a regulated market and who are required to publish regulated information as defined by the Transparency Directive, as well as to persons responsible for the prospectus under Article 11(1) of the Prospectus Regulation. They are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information such as management reports. Adherence to the Guidelines improves the comparability, reliability and / or comprehensibility of APMs. Issuers or persons responsible for the prospectus who comply with these Guidelines provide a faithful representation of the financial information disclosed to the market.

126. ESMA has published several questions and answers on the Guidelines on APMs to promote common supervisory approaches and practices in their implementation.

3.3.1.2 Coordination of enforcement

Narrative Reporting Working Group (NRWG)

127. The NRWG is a permanent working group of ESMA's Corporate Reporting Standing Committee (CRSC) which acts as a forum in which enforcers from the EEA exchange views and discuss experiences on, among other things, application of the Guidelines on APMs to achieve harmonisation in enforcement decisions.

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[34] ESMA32-67-791 Letter to the IFRS IC – *Agenda Item Request: Classification of SPAC shares as equity or liability (IAS 32)*, 26 October 2021

[35] ESMA32-339-183 Letter to the IFRS IC – *The IFRS Interpretations Committee's tentative agenda decision on TLTRO III Transactions (IFRS 9 and IAS 20)*, 20 July 2021

[36] ESMA/2015/1057 ESMA Guidelines on Alternative Performance Measures, 20 June 2015.

128. NRWG members discuss methods for supervision as well as individual supervisory cases related to disclosures of APMs by listed issuers, provide suggestions of common supervisory or enforcement priorities at European level, conduct studies on the Guidelines on APMs and share best practices and good examples of APM disclosures.

Coordination of APM-related enforcement decisions

129. In 2021, 10 emerging issues related to the application of the Guidelines on APMs were discussed in the NRWG. As regards decisions, enforcers submitted two decisions related to the Guidelines on APMs to the EECS database. Furthermore, other topics were presented and discussed in a number of roundtables and thematic reviews.

130. The discussions undertaken by enforcers in the NRWG, and the conclusions reached on that basis, are intended to improve the level of consistent application and enforcement of the Guidelines on APMs, subject to the specific facts and circumstances of the transactions discussed. In 2021, the most common topics of discussion in the NRWG concerned issues related to the application of the labelling principle, the principle of true and fair review, misleading information and to the definition principle included in the Guidelines on APMs.

131. In this respect, NRWG members discussed cases related to the application of the Guidelines and Q&A #18 to APMs created and / or modified by issuers to depict the impacts of COVID-19. The NRWG also discussed cases of mislabelling of APMs in particular if the labels used provided a misleading depiction of the contents and definition of the APMs (for instance, in relation to ESG matters) and whether the APM definition included in regulated information documents was sufficiently detailed to enable a comprehensive understanding of the APMs used.

3.3.2 Main indicators of national enforcement activity

132. During 2021, enforcers examined 537 management reports to evaluate the presentation and disclosure of APMs. Around 86% of the examinations covered all principles of the Guidelines on APMs. Table 6 presents more detail on the examinations.

Table 6: *Issuers examined for the purpose of the Guidelines on APM*

	All principles of the Guidelines	Selected principles of the Guidelines	Total
Annual management report	419	70	**489**
Interim management report	41	7	**48**
Total	**460**	**77**	**537**

133. Table 7 further summarises the examinations undertaken by enforcers in 2021 related to the annual and interim management reports of IFRS listed issuers. The table divides EEA countries into the same clusters used in section 3.2.2 and shows the examination rate – i.e. the proportion of issuers examined – and the action rate – i.e. the proportion of

examinations that led to an action. The overall examination rate was largely stable, at 13% compared to 14% in 2020, and the overall action rate was at 18% compared to 15% in the previous year.

Table 7: *Examinations and actions regarding management reports of IFRS issuers related to APMs*

	Issuers per cluster – end of 2020	Total issuers subject to examinations	Examination rate[37]	Total issuers for which actions were taken	Action rate[38]
1-99 issuers	712	187	**26%**	24	**13%**
100-249 issuers	1,300	140	**11%**	22	**16%**
250-399 issuers	1,326	119	**9%**	20	**17%**
≥400 issuers	827	91	**11%**	31	**34%**
Total	**4,165**	**537**	**13%**	**97**	**18%**

134. Providing further detail regarding the actions taken on the management reports of listed IFRS issuers in 2021, Table 8 shows whether actions related to the annual or the interim management report and which type of action was taken. As in 2020, the majority of actions consisted of enforcers requiring a correction in a future management report. Other measures relates mainly to enforcement of financial information contained in prospectuses. Please note that one enforcement action can relate to multiple areas of non-compliance.

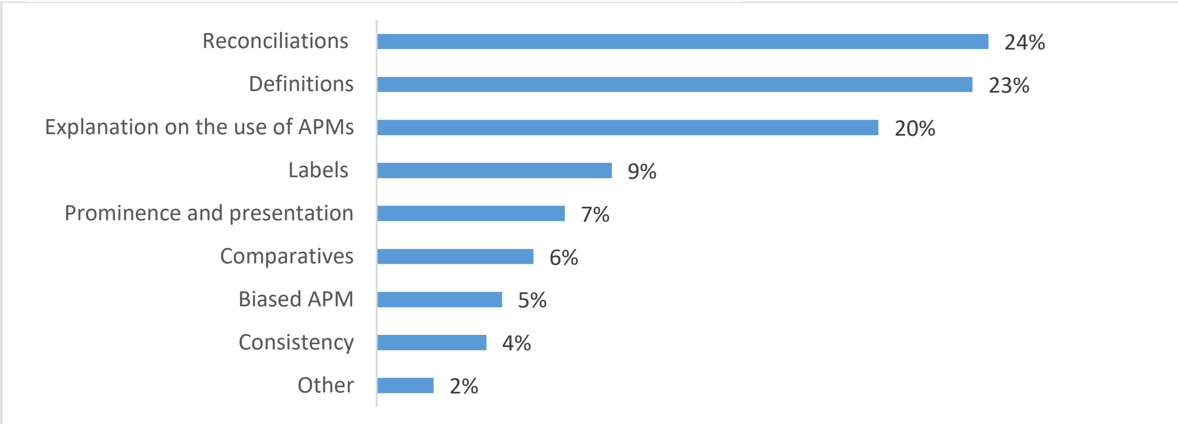
Table 8: *Management reports of IFRS issuers for which actions were taken*

	Annual management report	Interim management report	Total
Require a reissuance of the management report	7	1	**8**
Require a public corrective note	4	0	**4**
Require a correction in future management report	49	12	**61**
Other measures	24	0	**0**
Total	84	**13**	**97**

[37] Number of issuers examined divided by total number of issuers.
[38] Number of issuers for which actions were taken divided by number of examinations carried out.

135. Lastly in relation to the activities undertaken by enforcers during 2021, the below figure illustrates the topics on which enforcement actions related to compliance with ESMA's Guidelines on APMs were taken. The figure shows that, similar to last year, the areas in which most infringements were identified were reconciliations, definitions and explanations, followed by labels.

Figure 9: *Areas addressed with enforcement actions in 2021*



3.3.3 Assessment of compliance with ECEP Statement

136. The brief considerations on the application of the ESMA Guidelines on Alternative Performance Measures (APM) in relation to COVID-19 included in a separate section of the 2020 ECEP Statement did not constitute enforcement priorities. Consequently, no assessment of compliance was conducted.

4 Enforcement of non-financial reporting

4.1 Context for enforcement of non-financial reporting

4.1.1 Number of issuers publishing non-financial reporting

137. At the beginning of 2021, approximately 1,972 listed issuers were within the scope of enforcement activities for the purpose of Article 19a or Article 29a of the Accounting Directive. For country-by-country information on the number of issuers, please refer to Annex 5.

4.1.2 How is non-financial reporting enforced

4.1.2.1 Legislative context

138. Articles 19a and 29a of the Accounting Directive, adopted in 2014 via the Non-Financial Reporting Directive (“NFRD", Directive (EU) 2014/95/EU), introduced the requirement for certain issuers[39] to publish non-financial information. Member States had to transpose these new requirements into national law, and the national transpositions of Article 19a and 29a became applicable in most Member States for reporting periods starting on or after 1 January 2017. As such, in most Member States issuers prepared their first non-financial information under the NFRD for the reporting year 2017 and published this information in 2018, and enforcers in those Member States examined their first non-financial information under the NFRD in 2018.

139. While it is the Accounting Directive that places an obligation on certain issuers to publish non-financial information, it is the Transparency Directive that gives national competent authorities the powers to enforce this information. The link between the two pieces of legislation is established by the fact that the Accounting Directive generally requires the non-financial statement to be included in the management report[40], and the management report is required by the Transparency Directive, thus making it subject to the powers given to national competent authorities therein.

140. In April 2021, the European Commission published a legislative proposal for a Corporate Sustainability Reporting Directive (CSRD)[41] which is another amendment to the Accounting Directive that will modify the requirements introduced by the NFRD. The proposal:

[39] Large undertakings which are public-interest entities (PIE) exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year. PIE are issuers listed on regulated markets, credit institutions, insurance undertakings and other undertakings defined by EU member states as PIE.
[40] The non-financial statement may also be included in a separate report.
[41] European Commission *Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting*, 21 April 2021.

- extends the reporting scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises);
- requires the audit (assurance) of reported information;
- introduces more detailed reporting requirements and a requirement to report according to mandatory EU sustainability reporting standards;
- requires companies to digitally "tag" the reported information, so it is machine readable and feeds into the European Single Access Point (ESAP); and
- requires ESMA to develop guidelines directed at enforcers to promote convergent supervision of non-financial information.

141. According to the legislative proposal, the new rules should apply to financial years beginning on or after 1 January 2023.[42]

4.1.2.2 Coordination of enforcement

142. In order to achieve harmonisation in enforcement decisions, enforcers from the EEA exchange views and discuss experiences on enforcement of non-financial reporting in the NRWG. The main areas of focus with regard to non-financial information include:

- Exchange of views on methods for supervising the non-financial information of companies offering securities to the public and / or having these securities listed on an EEA regulated market;
- Sharing best practices and good examples of disclosure;
- Analysis and discussion of emerging issues and enforcement decisions taken by enforcers;
- Suggestion of common supervisory or enforcement priorities at European level and communication of such areas to the market;
- Drafting of guidelines, supervisory briefings or Q&As;
- Following closely the developments in the area of non-financial reporting.

4.2 Main indicators of national enforcement activity

143. During 2021, enforcers undertook 711 examinations of non-financial statements. Examinations were distributed across issuers who included the non-financial statement in the annual management report and issuers who presented it as a separate document.

[42] As this is a proposed date, changes are still possible. On 24 February 2022, the Council adopted its position on the CSRD suggesting a day of first application of 1 January 2024.

Nearly half of the examinations related to checking only whether the non-financial statement had been prepared ("existence only" – 48%) while other examinations furthermore related to checking whether the information provided in the non-financial statement met the requirements of Articles 19a and 29a of the Accounting Directive ("existence and content" – 52%). Combining the two kinds of examination, the examination rate in 2021 was 36%. The table below provides the detailed breakdown of the examinations performed during 2021.

Table 9: *Issuers examined for the purpose of the amended Accounting Directive*[43]

	Existence only	Existence and content	Total
Non-financial statement included in annual management report	183	297	**480**
Non-financial statement presented as separate document	155	76	231
Total	**338**	**373**	**711**

144. As detailed further in Table 10, the 711 examinations of non-financial statements in 2021 led to enforcement actions taken for 72 issuers, causing an action rate of 10% compared to 5% in the previous year. Most actions required the issuer to make a correction in a future non-financial statement. Please note that one enforcement action can relate to multiple areas of non-compliance.

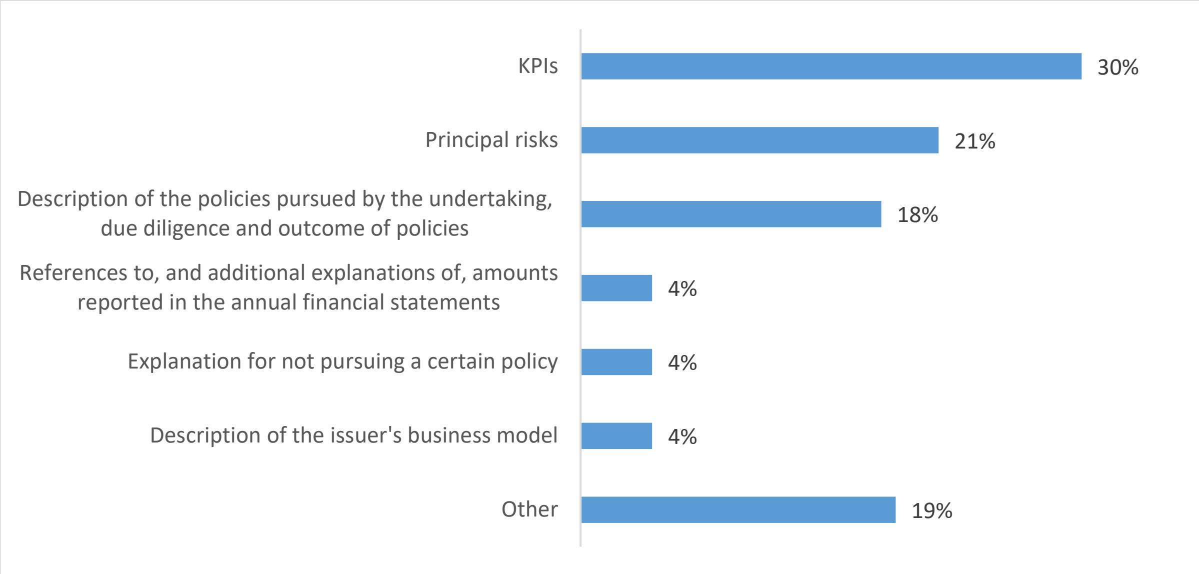
Table 10: *Enforcement measures undertaken regarding the non-financial statements*

	Non-financial statement included in annual management report	Non-financial statement presented as separate document	Total
Require a reissuance of the non-financial statement	2	0	**2**
Require a public corrective note	2	0	**2**
Require a correction in future non-financial statement	53	15	**68**
Total number of issuers for which actions were taken	**57**	**15**	**72**

[43] The examinations do not include issuers from Croatia, Cyprus, Ireland, Hungary, Liechtenstein and Norway. In the first three countries, enforcers do not have powers relating to the non-financial statement. In Norway, the Accounting Directive, including Articles 19a and 29a, has only recently been transposed into national legislation, effective from the fiscal year beginning on or after 1 July 2021. Enforcers in Estonia, Germany and Greece examined only whether the non-financial statement had been prepared ("existence only").

145. The following figure illustrates the topics on which enforcement actions were taken during 2021. Half of all actions related to disclosure – or the lack thereof – regarding KPIs and the issuer's principal risks.

Figure 10: *Areas addressed with enforcement actions in 2021*



4.3 Assessment of compliance with ECEP Statement

146. The 2020 ECEP Statement included a number of considerations related to the disclosure of non-financial information under Articles 19a and 29a of the Accounting Directive, specifically concerning (i) social and employee matters, (ii) business model and value creation, (iii) risk relating to climate change, and (iv) impact of the COVID-19 pandemic on other non-financial matters. For the purpose of collecting data on the way issuers addressed these areas, over the course of 2021 enforcers examined non-financial statements from a sample of 116 issuers from 24 EEA countries.[44]

147. Of the 116 non-financial statements examined, 52% were included directly in the management report and 7% via cross-reference to a separate non-financial statement, while 18% presented the non-financial statement separately but still within the annual financial report. 13% of the examined issuers presented the non-financial statement separately outside the annual financial report. The vast majority of non-financial statements examined (110) were consolidated statements.

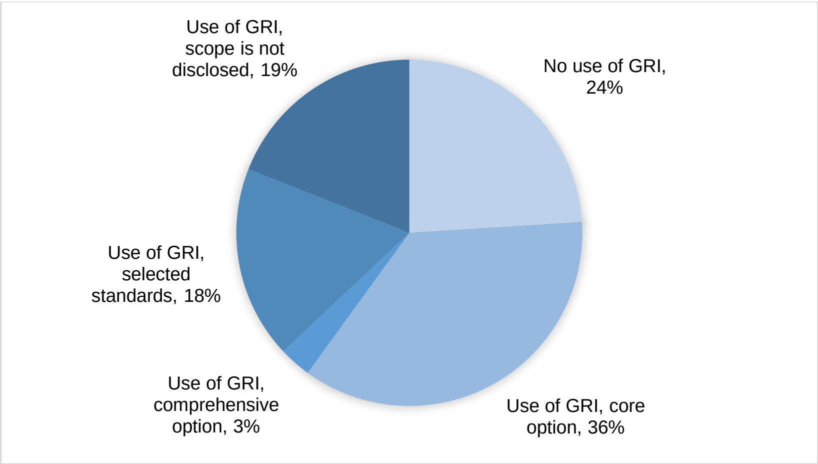
148. For almost all issuers, the statutory auditor or audit firm verified whether the issuer provided a non-financial statement (a few issuers applied the requirements of Articles 19a and 29a of the Accounting Directive on a voluntary basis). For 58% of issuers, the information contained in the non-financial statement was verified by an independent assurance service

[44] The sample does not include issuers from Croatia, Cyprus, Ireland, Liechtenstein and Norway.

provider (78% by a statutory auditor, 14% by another audit firm, 8% by a third-party assurance provider other that an audit firm). In terms of the scope of the assurance, for 56% of issuers, compliance with the transposed requirements of the Accounting Directive was verified, for 24% of issuers, assurance was provided with respect to the compliance with GRI or another disclosure framework, and for a further 17%, both the requirements of the Accounting Directive and a disclosure framework were considered. In a few cases, a limited review of a selection of non-financial performance indicators was performed.

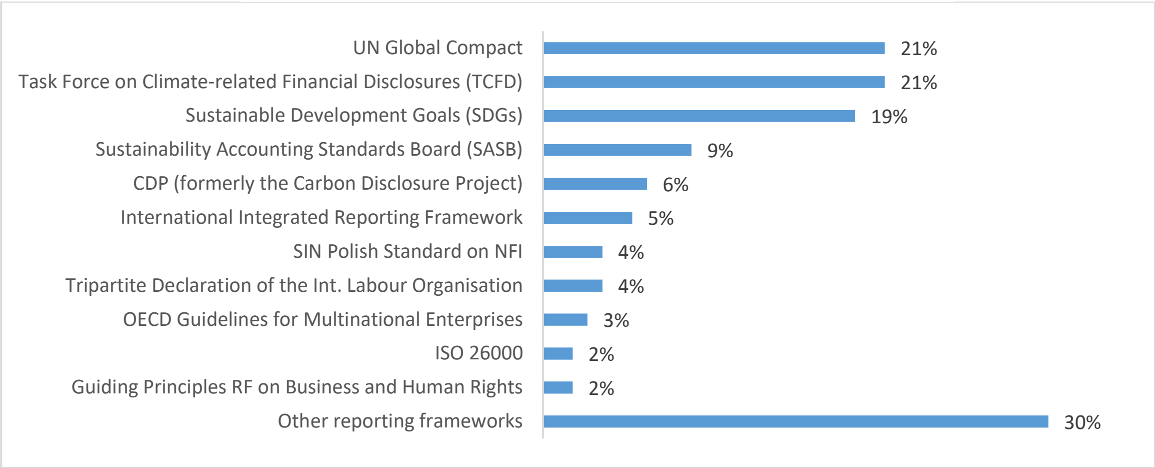
149. 80% of issuers specified which disclosure frameworks they (partly) applied. 76% of these issuers used Global Reporting Initiative (GRI)-Standards. The following figure illustrates the scope of the application of the GRI-Standards by the issuers who indicated which disclosure framework they applied.

Figure 11: *Scope of the application of the GRI-standards*



150. Information on other disclosure frameworks used by the issuers in the sample is shown in the graph below.

Figure 12: *Use of other disclosure frameworks*



151. 79% of issuers that specified which disclosure frameworks they applied clearly stated which pieces of information in the non-financial statement are based on which of the adopted disclosure frameworks. 16% did so only for some of the mentioned frameworks.

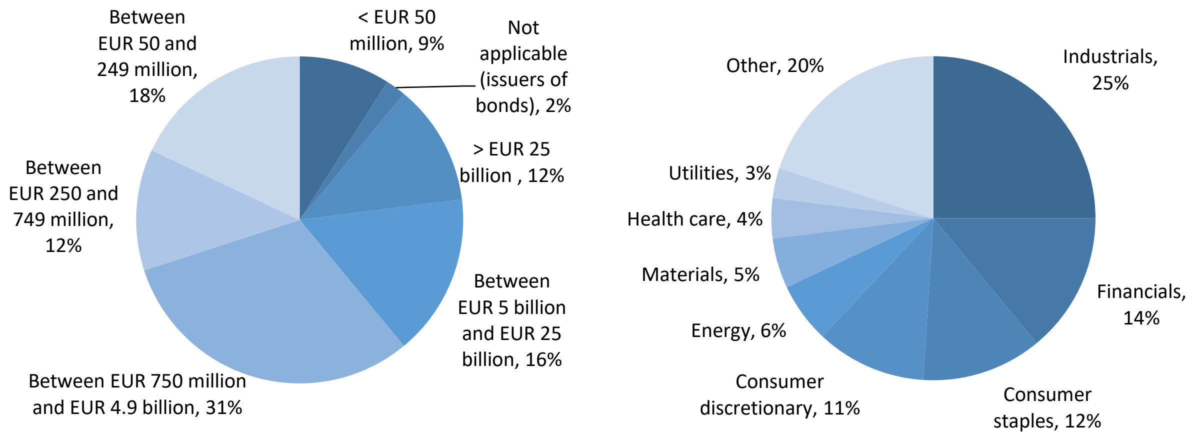
152. In the summary of findings presented in the following subsections, please be aware that, for each question, issuers for which a given topic was not applicable were removed from the sample for the purpose of calculating the percentages presented. This applies in particular to cases where the enforcer only verified the existence of certain information. Therefore, all findings refer to the sub-sample of issuers for whom a given topic was relevant.

153. Information about the sector and capitalisation of all 116 issuers in the sample is presented in the figures below.

***Figure 13:** Composition of the sample of issuers*

a) by total market capitalisation

b) by sector or activity



4.3.1 Social and employee matters

Analysis of information provided

154. ESMA observed that all issuers in the sample addressed social and employee matters in their non-financial statements.

155. ESMA welcomes the fact that almost 90% of issuers provided disclosures on the issues of inclusion and diversity to the extent necessary to understand the development, performance, position and impact of issuers' activity in this area. However, only 58% adequately described how inclusion and diversity issues are addressed as part of the issuers' policies concerning their employees, including employees in the issuer's supply chain, customers and other relevant stakeholders. Another 26% provided a sufficient description for the issuer but not for its supply chain and other stakeholders. The information provided by 12% was of a very general nature (e.g. a statement that the issuer is committed to certain principles) or lacked important entity-specific details (e.g. on measures taken by the issuer).

156. 90% of the issuers included information on the progress their made in the area of social and employee matters. The information provided by almost all of those issuers was sufficiently detailed.

157. In the context of COVID-19, 86% ensured transparency on employee-related health and safety matters. The table below shows how those issuers addressed some specific aspects of this topic.

Table 11: *Description of employee-related health and safety matters in the context of COVID-19*

	Sufficient description	Described only partly / description is boilerplate	No description	No description, but the issuer explains why it has omitted these matters / not applicable
Extensive use of remote working arrangements	76%	9%	5%	10%
Strategies to bring employees back to the workplace while ensuring compliance with health and safety rules	46%	13%	9%	32%
Management of employees who had to continue working in close physical contact during the pandemic	55%	17%	25%	3%

158. Around 40% of issuers that provided insufficient information (the information was disclosed only partly, or the description was boilerplate) on the management of employees working during the pandemic provided a sufficient description for their own employees but not for the employees in their supply chains.

159. Only 26% of issuers included disclosures on whether the policies put in place in the context of COVID-19 are permanent (e.g. a new right for employees to work remotely for a certain part of the time). 57% did not provide this information, and for a further 17% this disclosure was not relevant. About half of the issuers provided information on how those policies were implemented. One-third of the issuers did not provide details on the implementation and for the remaining issuers, there was no relevance.

160. Only a small proportion (7%) of issuers did not disclose any KPIs on social and employee policies. ESMA also noted positively that 88% of issuers that disclosed KPIs included sufficient information on the criteria on the basis of which the KPIs were provided (e.g. explanation of how the indicators were selected in accordance with the GRI guidelines).

161. In light of the increased use of home-working arrangements, which triggers considerations regarding the resilience of IT infrastructures and the ability to prevent and manage cyberattacks, disclosures of only 44% of issuers included detailed information on how these

matters were addressed. 42% described preventive policies that have been put in place. The outcomes of those policies were described by 27% of the issuers in the sample.

162. ESMA observes that disclosures of 92% of issuers were fact-based and included evidence of concrete behaviours and actions. A similarly high percentage of issuers presented information on social and employee matters in a way that makes the information accessible to users.

163. While the disclosures of 68% of the issuers contained a balanced presentation of the facts (both risks and opportunities) without overly emphasising either positive or negative aspects, this was only partially true for the disclosures of 22% of the issuers, since many of those issuers focused more on the opportunities. In some cases, however, only the risks were disclosed. 10% of issuers failed to provide a balanced presentation or provided mainly employee-related factual information without explicitly elaborating on risks or opportunities.

164. Disclosures of 83% of issuers enabled users to clearly identify the policies adopted, the actions taken to put those policies in place and the related outcomes. For 12% of issuers, this was only partly the case, as, for example, no results of the issuers' actions were described or a comparison with targets or the previous reporting period was missing.

Enforcement actions

165. Enforcers took eight enforcement actions in relation to disclosures on social and employee matters, or lack thereof, in the 2020 non-financial statements by issuing corrective notes (four actions) and by requiring a correction in the future non-financial statement (four actions). The corrective notes relate to the missing description of employee-related policies (e.g. health policies in the COVID-19 context) and the lack of disclosure of some KPIs at the consolidated level.

166. Other actions relate, among other topics, to the insufficient description of employee-related policies, missing explanation of the development of KPIs and the need to include information related to consolidated subsidiaries.

167. Nine further examinations are currently ongoing.

4.3.2 Business model and value creation

Analysis of information provided

168. Almost all issuers included a sufficient description of their business models. Moreover, 83% of issuers provided sufficient information about their strategy together with its implementation to enable users of non-financial statements to understand the business model and its implications for non-financial matters. Another 15% included this information only partly (e.g. because the relationship between the business model and the non-financial matters was not sufficiently clear).

169. More specifically, only 59% of issuers provided sufficient explanation as to how their business models influence non-financial matters, taking into account issuers' short-,

medium- and long-term objectives, and only 46% adequately explained the impact of non-financial matters on the business models.

Table 12: *Linkage between the business model and non-financial matters*

	Sufficient description	Description does not take into account the time horizon	Described only partly / description is boilerplate	No description
Description of how the business model impacts on the non-financial matters	59%	16%	13%	12%
Description of how the non-financial matters impacts the business model	46%	16%	13%	25%

170. Some issuers identified the linkage only for very few non-financial matters (e.g. only for climate change) or provided very limited details (e.g. an issuer mentioned only the long-term risk of an increase in average temperatures in the areas where the company operates, which could lead to a direct increase in operating costs). A few issuers stated explicitly that no significant relationship was identified.

171. Regarding the issuers' definition of value creation, 23% of the issuers disclosed the definition they used and, in addition, mentioned the disclosure framework (e.g. referring to the GRI reporting requirements on direct economic value generated and distributed, EVG&D, or the International Integrated Reporting Framework). Another 30% provided only the definition, without mentioning the disclosure framework. Almost half (47%) of the issuers neither disclosed their definition of value creation nor specifically mentioned the disclosure framework that provides the definition.

172. ESMA noted that although a vast majority (90%) of issuers provided sufficient explanation of their business models' functioning, fewer issuers (76%) included a sufficient description of the expected future development of the business models. While the expected development was unclear or not factual in the disclosures of 8% of issuers (e.g. an issuer only stated that expectations of solid growth rates due to long-term trends drive demand for the issuers' products), 17% did not provide any information about their expectations.

173. Appropriate disclosures on the issuers' business environment and on the main trends and factors that may affect its future development were presented by around 80% of the issuers. 15% and 6% provided no or very general descriptions, respectively.

174. A high proportion of issuers (33%) did not adequately explain how their process of value creation is linked to non-financial objectives. Disclosures of another 7% were boilerplate (e.g. an issuer did not describe its own objectives but only those stated in the disclosure framework (reducing the greenhouse gases emissions from the worldwide fleet by at least 50% by 2050)).

175. In addition, 23% of issuers did not describe the creation of value for shareholders and for the communities in which they operate (77% of issuers provided this disclosure).

176. The following table includes information on the consequences of the COVID-19 pandemic for the issuers' business model and the value creation process.

Table 13: *Disclosures explaining the impact of COVID-19 on business model / value creation*

	Sufficient description	Described only partly / description is boilerplate	No description	Not applicable
Resilience of an issuer's business model to the consequences of exceptional events such as the COVID-19 pandemic	66%	0%	20%	14%
Description of the impact of COVID-19 on the business model and value creation over the short, medium and long term, as well as on the policies put in place to address the non-financial matters	46%	13%	31%	10%
Explanation of the link between the issuer's non-financial and financial disclosures on the impact of COVID-19	58%	9%	24%	9%

177. ESMA noted that a significant number of issuers only provided explanations on the short-term impact of the pandemic or did not provide details on the time horizon. With regard to the link between the financial and non-financial disclosures, explanations in the non-financial statements of a significant number of issuers did not include any quantitative measures of the financial impact. Some issuers stated that they were not materially affected by the pandemic (column "not applicable" in the table above).

178. Finally, around half of the issuers (54%) facilitated their presentation of the business model by means of schematic illustrations which served as a map to guide users through the disclosures relating to the different aspects of the business model. These issuers included charts, tables, diagrams and illustrative photographs. In particular, many issuers described their value chains by means of schematic illustrations. Other examples include illustrations of values, mission, vision and performance drivers. Several users followed the recommendations included in the disclosure frameworks (e.g. IIRC). 46% of issuers explained their business models in narrative form only.

Enforcement actions

179. Enforcers took four enforcement actions in relation to disclosures on the business model and value creation, or lack thereof, in 2020 non-financial statements, by issuing one corrective note and by requiring a correction in the future non-financial statement (three actions). The corrective note directs an issuer to clarify in its annual report whether the

"non-financial information" section in the annual report alone satisfies the requirements and, if not, to include in the annual report references to a separate report issued at the time of the release of the annual report if that separate report is necessary to comply with the requirements. Other actions relate, among other topics, to the need for additional explanations on certain KPIs and for consideration the business-model related data of material consolidated subsidiaries in the next non-financial report.

180. Nine further examinations are currently ongoing.

4.3.3 Risk relating to climate change

Analysis of information provided

181. Around 90% of the issuers in the sample addressed climate-change related matters in their non-financial statements. Moreover, another 4% explained why they omitted these matters. The quantitative data in the remainder of this section refers only to issuers that provided information on climate-change related matters.

182. The table below provides an overview of how the issuers addressed key components of climate change disclosures.

Table 14: *Disclosures on key components of climate change*

	Sufficient description	Described only partly / description is boilerplate	No description	No description, but the issuer explains why it has omitted these matters / not applicable
Description of the specific policies pursued	87%	9%	0%	4%
Description of the related due diligence processes	80%	5%	13%	2%
Description of the outcomes of the policies pursued	85%	9%	3%	3%
Relevant KPIs	91%	4%	3%	2%

183. The analysis shows that there is room for improvement, particularly with respect to the due diligence processes, where 13% of issuers did not provide any descriptions. Descriptions of specific policies were often considered boilerplate when they did not include quantifiable targets. In such cases, the description of outcomes was also very generic.

184. 22% of issuers stated explicitly that their disclosures on climate change risks are based on the European Commission's guidelines on reporting climate-related information. 15% of the issuers stated that their disclosures were based on the TCFD, 17% mentioned another

framework (e.g. GRI or SDGs). Almost half of the issuers did not mention the European Commission's guidelines or other frameworks.

185. ESMA observed that only 42% of issuers disclosed both physical risks (acute and chronic risks) and transition risks (policy, legal, technological, market and reputational risks) related to climate change. Another 25% provided these disclosures only partly, referring mainly to only one category of these risks (either physical risks or transition risks). Some issuers did not clearly distinguish between physical and transition risks and provided information only on a very general level.

186. With regard to the management of climate-related risk, 71 % of issuers sufficiently described their risk management processes, making clear how they make their decisions to mitigate, transfer, accept, or control those risks. Disclosures of another 13% were very general (e.g. some issuers only provided information on which organisational entities are responsible for risk management, but omitted detailed description of their activities). 73% of issuers explained in detail how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management. 12% were less specific; their disclosures addressed mostly environmental risk in general without highlighting specific aspects of the climate risk. Around 12% of issuers provided no disclosures on the management of climate-related risks and did not explain why this information was omitted.

187. 76% of issuers included sufficient explanations on the climate-change related mitigating actions put in place in the context of their business models, environmental policies and targets that they pursue in this area. 7% provided very general or incomplete explanations (e.g. no quantitative targets). 15% included no or very limited disclosures (e.g. very general goals without explaining the actions taken). 2% explained why these disclosures were not provided.

188. ESMA noted that only 44% of issuers included sufficient explanations on the degree to which pre-set climate-change related targets can be achieved and the uncertainties that surround those targets. Disclosures of 11% of issuers were not sufficient (e.g. an issuer set very ambitious targets regarding its CO_2 emissions and explained the measures to reduce its emissions, but the report did not provide details on the related uncertainties) and 45% did not provide any information.

189. Similarly, only 54% of issuers included information on whether they consider in their planning processes how the risks associated with climate change could evolve. 31% and 12% of issuers provided no or very general explanations, respectively.

190. Even fewer issuers (39%) explained how opportunities connected to climate change may evolve. 11% described this only partly and around half of the issuers did not present this information.

191. Finally, 60% of issuers did not provide their risk disclosures with reference to different time horizons. Only 22% included sufficient disclosures to reflect the varying uncertainty relating

to the short, medium and long term and the potential business implications under different conditions. The remaining issuers' disclosures were less specific (e.g. it was not clear what issuers considered medium and long term).

Enforcement actions

192. Enforcers took six enforcement actions in relation to issuers' disclosures on climate change risks, or the lack thereof, in 2020 non-financial statements, by issuing the corrective notes (two actions) and by requiring a correction in the future non-financial statement (four actions). The corrective notes relate, among other topics, to insufficient information on issuer's targets regarding climate change. Correction in the future non-financial statements relate, among other topics, to the need to present comparative information with respect to the climate change risks, as well as to ensuring consistency in the presentation of physical climate risk in the financial risk factors.

193. 10 further examinations are currently ongoing.

4.3.4 Impact of the COVID-19 pandemic on other non-financial matters

Analysis of information provided

194. The following table shows the level of transparency provided by the issuers in the sample on the impact of the COVID-19 pandemic on environmental matters, human rights related matters, as well as anti-corruption and bribery matters (consequences and the mitigating actions taken).[45]

Table 15: *Transparency about the consequences of the pandemic and the mitigating actions taken*

	Sufficient description	Described only partly / description is boilerplate	No description	Not applicable
Environmental matters	41%	19%	18%	22%
Human rights related matters	38%	11%	26%	25%
Anti-corruption and bribery matters	26%	8%	36%	30%

195. The answer "not applicable" results mostly from the fact that the pandemic did not impact the activities of certain issuers.

196. Examples of helpful disclosure regarding the impact of the environmental matters include decreases of certain emissions as a result of mobility restrictions and teleworking implemented during the pandemic, updating action protocols due to the generation of new waste (masks, infectious waste, empty containers, etc.), inclusion of measures that promote the use of renewable energies in the recovery policies and highlighting the

[45] Non-financial matters not covered in sections 4.3.1 - 4.3.2.

importance of clean energy in the post-COVID-19 recovery. Some issuers did not disclose important details. For example, an issuer with the objective to reduce the use of packaging materials and plastic did not provide an explanation of the impact of online shopping on the use of packaging materials.

197. With regard to human rights related matters, several issuers provided explanations of their auditing practices regarding their supply chains. One issuer mentioned, for example, that all audits relate to its supply chain planned for 2020 had to be postponed. In some cases, however, no information about the mitigating actions was included.

198. In the area of anti-corruption and bribery matters, informative disclosures on the COVID-19 implications were particularly scarce. An issuer mentioned, for example, that the disruption caused by the COVID-19 significantly slowed the implementation of corruption prevention and pointed to the introduction of e-learning trainings as a remedy.

Enforcement actions

199. Enforcers took one enforcement action in relation to disclosures on impact of the COVID-19 pandemic on other non-financial matters in the 2020 non-financial statements by issuing a corrective note. This corrective note relates to the provision of further details on the duration of the preventive measures taken by an issuer and how these measures were implemented.

200. 11 further examinations are currently ongoing.

4.3.5 Conclusions and recommendations

201. ESMA highlighted in its 2020 ECEP Statement that issues of inclusion and diversity may have attracted particular attention from users of corporate disclosure, in light of the calls from different parts of the civil society to ensure equality and to fight racism. A high proportion of the issuers in the scope provided disclosures, with a varying degree of quality, on these issues.

202. However, ESMA observed that there is room for improvement of disclosures made by issuers in the context of COVID-19 on certain employee-related matters. This relates in particular to information on any targets established in the context of COVID-19, explanations on management of employees who had to continue working in close physical contact during the pandemic, disclosures on whether the policies put in place in the context of COVID-19 are permanent, as well as considerations regarding the resilience of IT infrastructures and the ability to prevent and manage cyberattacks in connection with increased use of home-working arrangements. Given the continued relevance of the pandemic-related developments, ESMA believes that issuers should provide more detailed explanations in these areas.

203. Regarding the disclosures on business model and value chain, while ESMA noted positively the comprehensive descriptions of business models provided by issuers, it found that a low proportion of issuers explained how the business model impacts on, and is being

impacted by, the non-financial matters, taking into account their short-, medium- and long-term objectives. A similar observation concerns the disclosures on the linkage between the process of value creation and issuers' non-financial objectives. ESMA highlights the importance of this information for users of non-financial statements and strongly recommends that issuers improve their disclosures. ESMA also recommends that issuers disclose their definition of value creation and mention the disclosure framework that provides such definition, if relevant. In addition, ESMA encourages issuers to facilitate their presentation of the business model by means of schematic illustrations.

204. ESMA observes that the vast majority of the issuers in the sample addressed climate-change related matters in their non-financial statements and provided key components of climate change disclosures. However, ESMA urges issuers to disclose information on both physical risks and transition risks related to climate change, since only a low proportion of issuers covered both manifestations of climate change risk in their disclosures. In this regard, ESMA notes that it is essential to provide a complete picture of how issuers are affected by climate risk.

205. Moreover, ESMA encourages issuers to improve their disclosures regarding the following aspects of the climate-change related matters:

- Explanations on the degree to which pre-set climate-change related targets can be achieved and the uncertainties associated with these targets;

- Information on whether issuers consider in their planning processes how the risks and opportunities associated with climate change could evolve;

- Provision of risk disclosures with reference to different time horizons.

206. Finally, ESMA observed that a significant proportion of issuers did not provide sufficient explanations on the impact of the COVID-19 pandemic on environmental matters, human rights related matters and, in particular, anti-corruption and bribery matters. ESMA recommends that issuers carefully consider the impact of the pandemic on these matters, and, if relevant, provide explanations.

Enforcement actions

207. Overall, enforcers took 19 enforcement actions against the 116 issuers in the sample, mainly in the form of requiring the issuer to correct the relevant matter in the future non-financial statement. In addition, examinations in relation to 15 issuers were still ongoing at the end of 2021. The sample action rate was 16%.

208. The table below reflects the distribution of actions taken across the three focus areas of the 2020 ECEP Statement.

Table 16: *Enforcement actions on the sample of issuers*

	Social and employee matters	Business model and value creation	Risk relating to climate change	Impact of the COVID-19 pandemic on other non-financial matters	Total
Reissuance of non-financial statement	0	0	0	0	**0**
Public corrective note	4	1	2	1	**8**
Correction in future non-financial statement	4	3	4	0	**11**
Total number of enforcement actions	**8**	**4**	**6**	**1**	**19**
Sample size	-	-	-	-	**116**
Sample action rate	-	-	-	-	**16%**

4.4 ESMA's other activities related to non-financial reporting

4.4.1 Observership at EFRAG

209. In 2021, ESMA became an observer on the EFRAG Project Task Force that is preparing technical advice to the European Commission on European Sustainability Reporting Standards (ESRS). Through its observership, ESMA monitors the development of the future ESRS and contributes its views from an enforcement perspective, notably on topics such as investor protection and alignment with other EU legislation and with international standard-setting.

4.4.2 International cooperation

210. ESMA engaged in discussions on non-financial reporting and its enforcement with various relevant non-EU bodies during 2021. These discussions included dialogue with the US SEC and participation in the Technical Experts Group of IOSCO's Sustainable Finance Task Force.

5 ESEF reporting

5.1 How is ESEF reporting enforced

5.1.1 Legislative context

211. In 2013, the Transparency Directive was amended to include a requirement for issuers to prepare their annual financial reports in a single electronic reporting format. ESMA was assigned the responsibility to develop regulatory technical standards (RTS) to specify this electronic reporting format.

212. The RTS on European Single Electronic Format (ESEF)[46] specifies that all issuers subject to the requirements contained in the Transparency Directive to make public annual financial reports shall prepare annual financial reports in the Extensible Hypertext Markup Language (XHTML) format. Where the issuer prepares IFRS consolidated financial statements, it shall mark up these IFRS consolidated financial statements using the XBRL markup language. The markups shall be embedded in the XHTML document version of the annual financial report using the Inline XBRL format.

213. For financial years beginning on or after 1 January 2020, all annual financial reports shall be prepared in ESEF. However, following an amendment to the Transparency Directive, issuers in most Member States were allowed to delay application of ESEF by one year.

5.1.2 Coordination of enforcement

214. The ESEF Working Group (ESEF WG) is a permanent working group of the CRSC that coordinates supervisory convergence of the enforcement related to the correct application of the RTS on ESEF. The ESEF WG prepares updates of the RTS on ESEF on a yearly basis, if relevant, and develops further guidance for issuers and software vendors to facilitate the correct application of the requirements arising under the RTS. In the working group, enforcers exchange views and share practices regarding methods for supervising the correct application of ESEF.

5.2 ESMA's other activities related to ESEF reporting

215. In March 2021, ESMA published a technical update (draft RTS)[47] of the ESEF Regulation (Commission Delegated Regulation 2019/815) to update the taxonomy that issuers shall use in preparation of their annual financial reports, and thereby incorporated in the ESEF

[46] 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.
[47] ESMA32-60-727 Final Report on the draft RTS amending Delegated Regulation (EU) 2019/815 as regards the 2021 update of the taxonomy laid down in the RTS on ESEF, 25 May 2021

Regulation the 2021 IFRS Taxonomy as prepared by the IASB. The technical update was endorsed by the European Commission and the co-legislators and published in the Official Journal on 7 March 2022. The technical update was endorsed by the European Commission and the co-legislators and published in the Official Journal in March 2022.

216. In July 2021, ESMA updated the ESEF Reporting Manual[48] aimed at all market participants involved in the implementation of the requirements set out in the ESEF Regulation. The Manual was originally published by ESMA in December 2017 and is intended to provide guidance on issues commonly encountered when generating Inline XBRL instance documents in compliance with the ESEF Regulation.

217. In December 2021, as in previous years, ESMA updated the XBRL taxonomy files to be used for ESEF[49]. The 2021 version of the XBRL taxonomy files reflects the version of the IFRS taxonomy included in the updated ESEF Delegated Regulation (i.e. the 2021 ESEF taxonomy).

218. ESMA also updated in December 2021, Conformance Suite test files[50], published for the first time in March 2020, to facilitate implementation of the requirements set out by the RTS on ESEF. The ESEF Conformance Suite is aimed primarily at a technical audience (i.e. XBRL software developers), as a way to test and provide assurance that software tools are able to create and / or consume filings which are in line with all ESEF requirements. In particular, the Conformance Suite enables the determination of whether a software can detect and flag infringements to the ESEF requirements contained in a filing.

219. ESMA expects that in the future, as the IFRS evolve, the IFRS Taxonomy will evolve as well and therefore the ESEF Regulation – via updates to the RTS on ESEF – and the ESEF XBRL taxonomy files and the ESEF Conformance Suite will need to be updated accordingly.

[48] ESMA32-60-254rev ESEF Reporting Manual, July 2021

[49] 2021 ESEF XBRL taxonomy files, https://www.esma.europa.eu/document/esma-esef-taxonomy-2021

[50] ESEF Conformance Suite, December 2021, https://www.esma.europa.eu/document/conformance-suite-2021

6 Annexes

6.1 Annex 1: List of enforcers

Country	Enforcer	Abbreviation
Austria	Financial Market Authority Austrian Financial Reporting Enforcement Panel	FMA AFREP
Belgium	Financial Services and Markets Authority	FSMA
Bulgaria	Financial Supervision Commission	FSC
Croatia	Croatian Financial Services Supervisory Agency	HANFA
Cyprus	Cyprus Securities and Exchange Commission	CySEC
Czech Republic	Czech National Bank	CNB
Denmark	Danish Financial Supervisory Authority Danish Business Authority	Danish FSA DBA
Estonia	Estonian Financial Supervision Authority	EFSA
Finland	Finnish Financial Supervisory Authority	FIN-FSA
France	Financial Markets Authority	AMF
Germany	Federal Financial Supervisory Authority Financial Reporting Enforcement Panel[51]	BaFin FREP
Greece	Hellenic Capital Market Commission	HCMC
Hungary	Central Bank of Hungary	MNB
Iceland	Central Bank of Iceland Directorate of Internal Revenue	CB RSK
Ireland	Central Bank of Ireland[52] Irish Auditing and Accounting Supervisory Authority	CBI IAASA
Italy	Companies and Securities National Commission	Consob

[51] As of 1 January 2022, the Financial Reporting Enforcement Panel (FREP) merged into the Federal Financial Supervisory Authority (BaFin)
[52] While CBI is the national administrative competent authority represented in ESMA's Board of Supervisors, IAASA has been designated as the sole competent authority for carrying out the obligations in Article 24(4)(h) of the Transparency Directive.

Country	Enforcer	Abbreviation
Latvia	Financial and Capital Markets Commission	FCMC
Liechtenstein	Liechtenstein Financial Market Authority	LFMA
Lithuania	Bank of Lithuania	LB
Luxembourg	Financial Markets Supervisory Commission	CSSF
Malta	Malta Financial Services Authority	MFSA
Netherlands	Netherlands Authority for the Financial Markets	AFM
Norway	Norwegian Financial Supervisory Authority	NFSA
Poland	Polish Financial Supervision Authority	PFSA
Portugal	Securities National Commission Bank of Portugal Insurance and Pension Funds Supervisory Authority	CMVM BP IPFSA
Romania	Financial Supervisory Authority	ASF
Slovakia	National Bank of Slovakia	NBS
Slovenia	Securities Market Agency	SMA
Spain	Spanish Securities Market Commission	CNMV
Sweden	Swedish Financial Supervisory Authority Council for Swedish Financial Reporting Supervision	Swedish FSA SFRS

6.2 Annex 2: Number of IFRS issuers per EEA country

Country	Consolidated IFRS financial statements				Non-consolidated IFRS financial statements		Total IFRS issuers	
	Issuers of equity		*Issuers of bonds and securitised debt*					
	2020	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*
Austria	56	57	26	24	0	0	**82**	**81**
Belgium	111	113	2	2	2*	2	**115**	**117**
Bulgaria	109	107	18	15	175	172	**302**	**294**
Croatia	64	65	5	5	35	34	**104**	**104**
Cyprus	57	52	0	0	16	16	**73**	**68**
Czech Republic	19	17	11	10	39	45	**69**	**72**
Denmark	110	106	17	18	13	14	**140**	**138**
Estonia	19	21	2	3	7	7	**28**	**31**
Finland	126	132	17	20	0	0	**143**	**152**
France	395	375	21	21	2	7	**418**	**403**
Germany	380	381	25	30	4	5	**409**	**416**
Greece	126*	112	3	3	36*	34	**165**	**149**
Hungary	32	32	1	2	11	13	**44**	**47**
Iceland	19	20	11	10	6*	6	**36**	**36**
Ireland	29	27	3	3	52	59	**84**	**89**
Italy	219	210	6	4	7	9	**232**	**223**
Latvia	8	6	6*	7	4	2	**18**	**15**
Lithuania	24	23	1	3	2	3	**27**	**29**
Luxembourg	41	46	23	28	42	38	**106**	**112**
Malta	22	24	18	21	26	27	**66**	**72**
Netherlands	123	129	10	10	28	40	**161**	**179**
Norway	184	189	59	58	26	26	**269**	**273**
Poland	317	309	1	2	47	53	**365**	**364**
Portugal	35	35	10	9	3	3	**48**	**47**

Country	Consolidated IFRS financial statements				Non-consolidated IFRS financial statements		Total IFRS issuers	
	Issuers of equity		*Issuers of bonds and securitised debt*					
	2020	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*
Romania	40	41	4	6	43	42	**87**	**89**
Slovakia	13	13	6	7	9	8	**28**	**28**
Slovenia	22*	21	0	0	0	0	**22**	**21**
Spain	130	129	4	3	0	0	**134**	**132**
Sweden	337	362	37	33	16	0	**390**	**395**
Total	**3,167**	**3,154**	**347**	**357**	**651**	**665**	**4,165**	**4,176**

* The figure differs from the corresponding figure in the previous year's report as it has been updated by the respective NCA after the publication of the previous year's repot.

6.3 Annex 3: Number of examinations of IFRS financial statements per EEA country

Notes on the data

Scope

The table below presents the number of examinations performed during 2021 by European enforcers on the basis of the Guidelines on Enforcement of Financial Information, as published in 2014 (please see Annex 1 for further information regarding the Guidelines). Please note that this data only includes examinations of IFRS financial statements that were concluded during 2021, whereas examinations of IFRS financial statements started in 2021 that were still ongoing at the end of 2021 will be included in next year's report.

Examinations were counted in the table below if they were carried out on the basis of:

- Guideline 4 for pre-clearance examinations, or

- Guideline 6 for examinations of financial statements and financial information in prospectuses. As regards prospectuses, only examinations of financial statements in prospectuses related to initial public offerings (IPOs) and first admissions to trading are counted in these statistics (if the issuer's listing was eventually not successful, even if the financial information in the prospectus was examined, the examination is not counted).[53]

Comparability

ESMA highlights that various factors may affect the comparability of the numbers in the table. While all enforcers undertake ex-post examinations of annual consolidated financial statements drawn up in accordance with IFRS on the basis of Guideline 6 of the Guidelines on Enforcement of Financial Information, the following differences exist between enforcers:

- Some enforcers do not examine annual separate financial statements or interim consolidated financial statements,

- Some enforcers are able to perform pre-clearances and therefore examine financial statements ex-ante on the basis of Guideline 4 of the Guidelines on Enforcement of Financial Information;

- Some enforcers apply the Guidelines on Enforcement of Financial Information on a voluntary basis for the examination of financial statements contained in IPO prospectuses.

[53] Please note that the majority of enforcers review financial statements contained in prospectuses as part of their procedures to approve prospectuses. Therefore, when prospectus review is based on the Prospectus Regulation rather than on the Guidelines on Enforcement of Financial Information, they are not taken into account for the purpose of this report.

Furthermore, examination procedures across EEA countries depend on the facts and circumstances of each case (type of issuer and complexity of financial statements, type of examination, issues raised, powers at the disposal of the enforcer, time constraints, resources available and allocation of such resources, etc.). For instance, while all enforcers strive to contribute to the improvement of the quality of financial reporting, the activities they undertake to achieve this objective may also include thematic reviews, providing assistance to other regulatory tasks (for example, the review of press releases), activities in relation to new developments and regulations (such as the ESEF) and so forth.

As another example, although the original, 2014 version of the Guidelines on Enforcement of Financial Information provides definitions of "unlimited scope examination" and "focused examination", they allow a certain degree of flexibility in application. The experience of ESMA's Peer Review on the application of certain of the Guidelines[54] has shown that those instruments are not applied in the same manner by all enforcers, and procedures in place remain not fully comparable. As such, some enforcers limit their examination procedures to the review of disclosure; others focus mainly on measurement and recognition issues. Some consider that unlimited scope examinations should require interaction with issuers, where others do not. These topics are addressed in the revised version of the Guidelines published in February 2020. However, as the revised version was not effective yet during 2021, readers are invited to be mindful of the abovementioned limitations when analysing the data in the table.

Empty cells indicate either that the enforcer chose not to carry out such type of examination or to apply the Guidelines to certain types of procedures, or that the national legislation does not foresee such type of examination.

Country	Total examinations	Disaggregation by type		Disaggregation by nature		
		Unlimited scope	*Focused*	*Ex-post*	*Financial information contained in prospectus*	*Pre-clearance*
Austria	**25**	21	4	24		1
Belgium	**18**	16	2	15	3	
Bulgaria	**40**		40	40		
Croatia	**10**	1	9	1	9	
Cyprus	**9**	1	8	9		
Czech Republic	**6**	6		6		
Denmark	**7**	5	2	7		

[54] ESMA42-111-4138 Peer Review Report, 18 July 2017

Country	Total exami-nations	Disaggregation by type		Disaggregation by nature		
		Unlimited scope	*Focused*	*Ex-post*	*Financial information contained in prospectus*	*Pre-clearance*
Estonia	**13**	11	2	2	11	
Finland	**23**	11	12	16	7	
France	**81**	55	26	64	14	3
Germany	**44**	29	15	44		
Greece	**23**	17	6	20	3	
Hungary	**1**	1		1		
Iceland	**5**	5		5		
Ireland	**23**	12	11	23		
Italy	**73**	45	28	72	1	
Latvia	**7**	7		4	3	
Lithuania[55]						
Luxembourg	**22**	12	10	22		
Malta	**7**	3	4	7		
Netherlands	**29**	23	6	29		
Norway	**34**	22	12	20	14	
Poland	**64**	51	13	50	14	
Portugal	**12**	5	7	12		
Romania	**18**	9	9	12	6	
Slovakia	**22**	22		22		
Slovenia	**2**		2	2		
Spain	**30**	14	16	27	3	
Sweden	**63**	54	9	63		
Total	**711**	**458**	**253**	**619**	**88**	**4**

[55] No examinations were concluded by the end of 2021.

6.4 Annex 4: Number of IFRS issuers for which action was taken per EEA country

Notes on the data

Scope

The table below lists the number of issuers for whom European enforcers took action during 2020, with reference to Guideline 7 of the Guidelines of Enforcement of Financial Information which distinguishes between requiring a reissuance of the financial statements, requiring a public corrective note and requiring a correction in the future financial statements.

The purpose of the table is to show how many issuers were subjected to enforcement action in 2020 (rather than to show how many individual actions were taken). Therefore, if more than one action was taken for the same issuer, only the most severe action is counted.

Actions in the table relate to ex-post examinations only and thus do not include pre-clearances and examinations of financial information in prospectuses, which, by their nature, cannot result in the actions defined by the Guidelines.

Comparability

The comparability of the data is restricted by the fact that the use of actions is not fully harmonised in the EEA, including because the legal powers of individual enforcers to use specific actions differ on the basis of national law. Furthermore, the Guidelines allow a certain degree of flexibility in application, as further described in Annex 1.

Empty cells indicate either that the enforcer chose not to carry out such type of action or that the national legislation does not foresee that such action can be carried out.

Country	Require a reissuance of financial statements	Require a public corrective note	Require a correction in future financial statement	Total
Austria		6		**6**
Belgium	1		7	**8**
Bulgaria		1	10	**11**
Croatia			1	**1**
Cyprus			1	**1**
Czech Republic			7	**7**
Denmark			2	**2**
Estonia				

Country	Require a reissuance of financial statements	Require a public corrective note	Require a correction in future financial statement	Total
Finland			5	**5**
France		1	52	**53**
Germany		12		**12**
Greece		4	8	**12**
Hungary			2	**2**
Iceland				
Ireland		4	7	**11**
Italy		6		**6**
Latvia			3	**3**
Lithuania				
Luxembourg			10	**10**
Malta		1	3	**4**
Netherlands			7	**7**
Norway		1	9	**10**
Poland	5		16	**21**
Portugal		2	4	**6**
Romania			9	**9**
Slovakia				
Slovenia				
Spain	1	6	7	**14**
Sweden		1	28	**29**
Total	**7**	**45**	**198**	**250**

6.5 Annex 5: Number of issuers publishing non-financial reporting per EEA country

Notes on the data

The table below lists the number of issuers within the scope of enforcement activities for the purpose of Article 19a or Article 29a of the Accounting Directive.

Country	Total issuers publishing non-financial reporting	
	31.12.2019	*31.12.2020*
Austria*	**62**	**62**
Belgium	**56**	**56**
Bulgaria	**33**	**33**
Croatia	**33**	**45**
Cyprus	**16**	**12**
Czech Republic	**9**	**10**
Denmark*	**69**	**67**
Estonia	**9**	**8**
Finland	**84**	**87**
France*	**291**	**258**
Germany*	**280**	**286**
Greece	**50**	**46**
Hungary	**16**	**15**
Iceland	**44**	**36**
Ireland**		
Italy	**171**	**170**
Latvia	**8**	**8**
Lithuania	**21**	**13**
Luxembourg	**39**	**38**
Malta	**8**	**9**
Netherlands	**82**	**80**

Country	Total issuers publishing non-financial reporting	
	31.12.2019	*31.12.2020*
Norway**		
Poland	**150**	**146**
Portugal	**30**	**36**
Romania	**28**	**38**
Slovakia	**26**	**28**
Slovenia	**12**	**11**
Spain	**96**	**96**
Sweden*	**259**	**278**
Total	**1,982**	**1,972**

** Best-effort estimate*

*** In Ireland, enforcers do not have powers relating to the non-financial statement and in Norway, the Accounting Directive has only recently been transposed into national legislation, effective from the fiscal year beginning on or after 1 July 2021.*