

PRESS RELEASE

European enforcers target COVID-19 and climate-related disclosures

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has issued its annual [Public Statement](#) on European Common Enforcement Priorities (Statement). This year's priorities cover the impact of COVID-19 and climate-related matters, provide guidance on the measurement of expected credit losses and highlight disclosure obligations pursuant to Article 8 of the Taxonomy Regulation.

The areas covered will be considered by national enforcers when monitoring and assessing the 2021 annual financial reports of listed companies. The Statement contains priorities linked to financial statements prepared in accordance with International Financial Reporting Standards (IFRS), priorities relating to non-financial statements and other considerations related to Alternative Performance Measures (APMs).

Anneli Tuominen, Interim Chair, said:

“This year's ECEP Statement reflects the continued volatility and uncertainty in the context of the COVID-19 pandemic and the need for transparency on its impacts, which is key to ensuring the stability of EU financial markets.”

“The identified priorities also highlight how vital the inclusion of any material financial and non-financial information on climate-related matters is, in light of the growing importance for investors.”

Priorities related to IFRS financial statements

The 2021 key enforcement priorities for financial statements prepared in accordance with IFRS are:

- careful assessment and transparency in accounting for longer-term impacts of the COVID-19 pandemic and the recovery phase;

- consistency between the information disclosed within the IFRS financial statements and the non-financial information concerning climate-related matters, consideration of climate risks, disclosure of any significant judgements and estimation of uncertainty regarding climate risks while clearly assessing materiality; and
- enhanced transparency regarding the measurement of Expected Credit Loss (ECL), particularly in relation to management overlays, significant changes in credit risk, forward-looking information, changes in loss allowances, credit risk exposures and collateral, and the effect of climate-related risk on ECL measurement.

Priorities related to non-financial statements

The recommendations concerning non-financial information refer to:

- impacts of COVID-19 on sustainability-related goals and non-financial key performance indicators, as well as information on any structural changes; and
- climate-related policies and their outcomes.

In addition, issuers are reminded to make the necessary preparations to fulfil the disclosure requirements foreseen by Article 8 of the Taxonomy Regulation, which will come into force as of 1 January 2022.

Considerations related to APMs

Regarding APMs, the Statement highlights that issuers are expected to exercise caution when adjusting, labelling and/or creating new APMs to depict the impacts of COVID-19.

Other aspects

The Statement underlines that starting from the financial year 2021 and pursuant to Article 4 of the Transparency Directive, all financial reports should be prepared in compliance with the European Single Electronic Format. More information [here](#).

Next steps

ESMA and national enforcers will monitor and supervise the application of the recommendations for preparing IFRS financial statements and non-financial statements as



well as any other relevant provisions outlined in the Statement, with national enforcers incorporating them into their reviews and taking corrective actions where appropriate.

ESMA will collect data on how European listed entities have applied the recommendations in the Statement and will communicate its findings in its report on the enforcement activities of 2022, to be published in spring 2023.



Notes for editors

1. [Report on Enforcement and regulatory activities of European enforcers in 2020](#)
2. [Guidelines on enforcement of financial information](#)
3. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.
4. It achieves these objectives through four activities:
 - i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising securitisation repositories and other financial entities.
5. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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