26 March 2024
ESMA32-193237008-8269

Report

2023 Corporate reporting enforcement and regulatory activities

2023: The year in numbers

Financial reporting (**blue**) – Non-financial reporting (**green**) – European Single Electronic Format (ESEF) reporting (**purple**)

Enforcement Snapshot: Main Indicators

To monitor enforcement activity, ESMA collects data on the number of examinations performed and the number of actions taken by enforcers. Note that "action rate" relates to a sample of issuers which were selected using an approach which, amongst others, considers the risk of misstatement. Therefore, the action rate is not representative of the total population of issuers.
For detailed breakdowns of the main statistics, refer to the individual sections in the report.

Financial Reporting

IFRS Reporting

17% Exam Rate

37% Action Rate*

APM Reporting

12% Exam Rate

18% Action Rate

* Of which, **13%** relate to recognition, measurement and/or presentation issues and **24%** to disclosures

Non-financial Reporting

17% Exam Rate

23% Action Rate

ESEF Reporting

ESEF: European Single Electronic Format

High-level Examinations

76% Exam Rate

7% Action Rate

Detailed Examinations

11% Exam Rate*

9% Action Rate*

* As one issuer may have been selected for more than one type of detailed examination, these ratios are averages.

Focus on Priorities: 2022 ECEP Assessment

Annual European Common Enforcement Priorities (ECEP) are an essential way to foster the prevention of misstatements and to enhance the quality and consistency of corporate reporting across the EEA. The following statistics illustrate the priorities for the 2022 ECEP, together with a breakdown of the examination sample and actions taken in relation to the 2022 ECEP.

Financial Reporting

- Macro-economic Environment
- Climate-related Matters
- Russian Invasion of Ukraine

173 Total Sample

7% Action Rate

Non-financial Reporting

- Climate-related Matters
- Reporting Scope & Data Quality
- Taxonomy-related Disclosures

127 Total Sample

18% Action Rate

Table of Contents

1 Executive summary 3
2 Introduction 6
3 Enforcement of financial reporting 7
3.1 Number of issuers under enforcement 7
3.2 IFRS reporting 7
3.2.1 How IFRS reporting is enforced 7
3.2.1.1 Coordination of enforcement 10
3.2.2 Main indicators of national enforcement activity 12
3.2.3 Assessment of compliance with ESMA's 2022 ECEP 17
3.2.3.1 Macroeconomic Environment 18
3.2.3.2 Climate-related matters 25
3.2.3.3 Russia's invasion of Ukraine 29
3.2.4 ESMA's other activities related to IFRS reporting 32
3.2.4.1 ESMA reports and public statements 32
3.2.4.2 Contribution to the European endorsement process 32
3.2.4.3 Cooperation with the IASB 33
3.3 APM reporting 34
3.3.1 How APM reporting is enforced 34
3.3.1.1 ESMA Guidelines on APMs 34
3.3.1.2 Coordination of enforcement 34
3.3.2 Main indicators of national enforcement activity 35
3.3.3 Assessment of compliance with ESMA's 2022 ECEP 36
4 Enforcement of non-financial reporting 37
4.1 Context for enforcement of non-financial reporting 37
4.1.1 Number of issuers publishing non-financial reporting 37
4.1.2 How is non-financial reporting enforced 37
4.1.2.1 Legislative context 37
4.1.2.2 Coordination of enforcement 38
4.2 Main indicators of national enforcement activity 39
4.3 Assessment of compliance with ESMA's 2022 ECEP 41
4.3.1 Climate-related matters 43
4.3.2 Reporting scope and data quality 49
4.3.3 Disclosures relating to Article 8 of the Taxonomy Regulation 51
4.4 ESMA's other activities related to non-financial reporting 52
4.4.1 Observership at EFRAG and Opinion on ESRS 52
4.4.2 International cooperation 52
5 Enforcement of ESEF reporting 53
5.1 How ESEF reporting is enforced 53
5.1.1 Legislative context 53
5.1.2 Coordination activities on ESEF 53
5.2 Main indicators of national enforcement activity 53
5.2.1 High-level examinations 55
5.2.2 Detailed examinations 57
5.3 ESMA's other activities related to ESEF reporting 59
6 Annexes 61
6.1 Annex 1: List of enforcers 61
6.2 Annex 2: Number of IFRS issuers per EEA country 62
6.3 Annex 3: Number of examinations of IFRS financial statements per EEA country 63
6.4 Annex 4: Number of IFRS issuers for which action was taken per EEA country 65
6.5 Annex 5: Number of issuers publishing non-financial reporting per EEA country 66
Abbreviations and acronyms 67
Legislative references 68

1 Executive summary

This report provides an overview of the activities, from 1 January 2023 to 31 December 2023, of ESMA and of national enforcers in the European Economic Area, hereafter enforcers, when examining compliance of financial and non-financial information provided by issuers. It also presents the main activities contributing to supervisory convergence performed at European level.

Enforcement of financial reporting

Enforcement of International Financial Reporting Standards (IFRS) reporting

Across approximately 4,000 issuers whose securities are admitted to trading on European regulated markets (referred to as issuers for the remainder of the report) that prepared financial statements in accordance with IFRS, enforcers undertook:

703	**examinations** (640 in 2022)
17%	**examination rate** (16% in 2022)
669	examinations classified as **ex-post examinations** (600 in 2022)
250	**actions** (225 in 2022)
37%	**action rate**[1] (38% in 2022)

The 2023 examination and action rates remained relatively stable compared to 2022. With regards to the disaggregation of the action rate per type of infringements encountered, **ESMA notes that the action rate pertaining to infringements detected in relation to recognition, measurement and presentation principles remains at 13% (13% in 2022), while the action rate concerning infringements with respect to disclosures represents 24% (25% in 2022)**[2]. As in the past, most infringements were identified in the areas of accounting for financial instruments, impairment of non-financial assets, presentation of financial statements and revenue recognition.

To assess the extent to which issuers considered ESMA's European Common Enforcement Priorities Statement (ECEP) for 2022 year-end IFRS financial statements, enforcers examined a sample of 173 issuers. Enforcers took twelve enforcement actions against issuers that did not comply with the IFRS requirements highlighted in the ECEP. ESMA also notes that 27 examinations in relation to the 2022 ECEP were still ongoing at the publication time of this report. Among the key findings of the assessment of compliance with the 2022 ECEP related to financial statements:

2022 IFRS ECEP Assessment: Key Findings		
Macroeconomic environment	**Climate-related matters**	**Russia's invasion of Ukraine**
Although there is still room for improvement, generally satisfactory disclosures allow users of the financial statements to understand the impacts of the current macroeconomic environment.	Consideration for and compliance with ESMA recommendations is generally gaining traction	Issuers generally took ESMA's recommendations on Russia's invasion of Ukraine into consideration in an appropriate manner

[1] The action rate relates to a sample of issuers which were selected using an approach which, amongst others, considers the risk of misstatement. Therefore, the action rate is not representative of the total population of issuers.

[2] Material departures from IFRS were assessed in relation to recognition and/or measurement and presentation, as well as to related disclosures since the concept of materiality is pervasive to the financial statements as a whole. In particular, if it could be reasonably expected that omitting, obscuring, or misstating material information in the notes could influence decisions that primary users of the financial statements make based on those financial statements. Section 3.2.1.1 provides further explanation on how materiality is considered by enforcers in their work and for the purpose of this report.

In addition, over the course of 2023, enforcers submitted 35 emerging issues and 51 decisions (an increase compared to 2022) to the Financial Reporting Working Group EECS[3]. These case discussions are essential to ensure supervisory convergence in the area of IFRS enforcement.

ESMA also undertook several activities to promote the effective and consistent application of IFRS, including releasing the 2023 ECEP Statement and a report on disclosures of climate-related matters in the financial statements. ESMA also continued to actively participate in the accounting standard-setting process by providing the views of enforcers on all relevant projects of the International Accounting Standards Board, mainly through comment letters, and by contributing, as an observer, to the discussions in the Financial Reporting Board and Financial Reporting Technical Expert Group of the European Financial Reporting Advisory Group.

Enforcement of Alternative Performance Measures (APM) reporting

Regarding alternative performance measures, enforcers examined 477 management reports to assess compliance with ESMA's APM Guidelines, representing 12% of all IFRS listed issuers in Europe (13% in 2022). Based on these examinations, enforcement actions were taken in relation to 87 issuers, constituting an action rate of 18% (15% in 2022[4]).

Enforcement of non-financial information (NFI) reporting

To assess the disclosures in non-financial statements prepared in accordance with Articles 19a and 29a of the Accounting Directive, enforcers undertook:

389	**content examinations** (333 in 2022)
17%	**examination rate** (15% in 2022)[5]
91	**content-related actions** (87 in 2022)
23%	**action rate** (26% in 2022)[6]

Enforcers furthermore assessed the extent to which European issuers had taken account of the requirements highlighted and the recommendations made by ESMA on non-financial disclosures in the 2022 ECEP. To this end, the non-financial statements of 127 issuers were examined, leading to enforcement actions towards issuers who did not comply with the requirements highlighted in the ECEP relating to 23 infringements. 18 examinations in relation to the 2022 ECEP were still ongoing at the end of 2023. Among the key findings of the assessment of compliance with the 2022 ECEP related to non-financial statements:

2022 NFI ECEP Assessment: Key Findings

Climate-related matters	Reporting scope and data quality	Taxonomy-related disclosures
Quite high coverage of emissions targets and metrics and more limited disclosures on transition plans. A diverse picture emerges on comparability and overall disclosure quality.	Diversity in practice on the scoping criteria and diverse level of granularity in the information disclosed.	Significant progress is still needed on the use of the mandatory reporting templates and the accompanying qualitative disclosures.

[3] Also known externally as European Enforcers Coordination Sessions (EECS), as defined in ESMA32-50-218, ESMA's Guidelines on enforcement of Financial Information, 4 February 2020.
[4] The 2022 report contains a different corresponding value (17%), as it also included 'other measures' in calculating the total number of actions.
[5] The 2022 report contains a different corresponding value (18%), as it also included existence-only examinations in calculating the total number of examinations.
[6] The 2022 report contains a different corresponding value (25%), as it also included existence-only actions and 'other measures' in calculating the total number of actions.

As observer on the EFRAG Sustainability Reporting Board and Technical Expert Group, ESMA actively contributed to the standard-setting process of the European Commission on European Sustainability Reporting Standards, in preparation for the opinion on the first set of the new standards which ESMA – as well as the other European Supervisory Authorities – is required by the Corporate Sustainability Reporting Directive to provide to the European Commission. ESMA monitored the development of the future ESRS and provided its views from an enforcement perspective, notably to ensure that the proposed requirements are conducive to investor protection, do not undermine financial stability and are interoperable with relevant EU sustainable finance legislation and with international standard-setting.

Enforcement of European Single Electronic Format (ESEF) reporting

Since 2020, issuers must prepare their annual financial reports according to Extensible HyperText Markup Language (XHTML) requirements and mark up their consolidated IFRS financial statements contained therein according to Inline eXtensible Business Reporting Language (iXBRL) requirements. In 2023, enforcers have undertaken:

3,277	**high-level examinations** *(basic/rudimentary technical requirements commonly applicable to all issuers)*
76%	**examination rate**
221	**actions**
7%	**action rate**

1,483	**detailed examinations**[7] *(detailed technical, tagging and anchoring requirements applicable to those issuers preparing financial statements with iXBRL markups)*
11%	**examination rate**
136	**actions**
9%	**action rate**

ESMA also undertook several activities in the area of electronic reporting, such as an update to ESMA's ESEF Reporting Manual providing technical improvements and an update to the 2022 XBRL taxonomy files and Conformance Suite test files, to ease preparations on the 2023 consolidated IFRS financial statements with the latest version of the ESEF format.

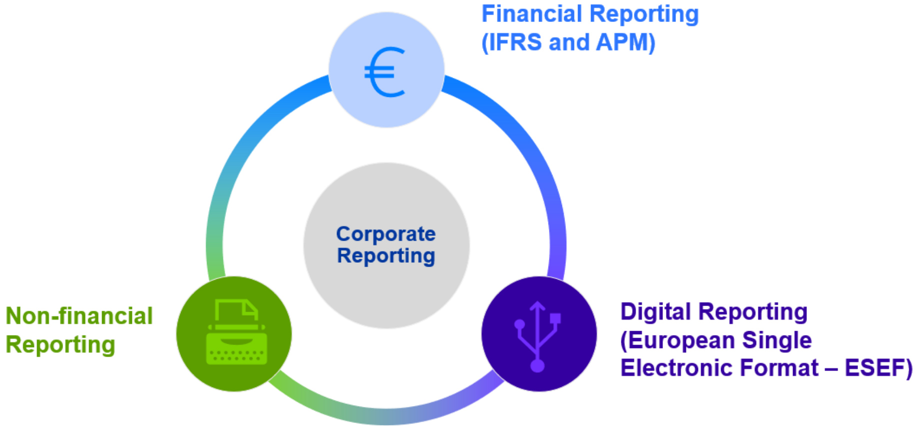
[7] An issuer may have been selected for more than one type of detailed examination. The ratios presented in this table are therefore averages across the different types of detailed examinations. For further details, refer to section 5.2.2.

2 Introduction

1. This report provides an overview of the activities related to the supervision and enforcement of financial information, non-financial information and European Single Electronic Format (ESEF) reporting carried out from 1 January 2023 to 31 December 2023 by the national enforcers in the European Economic Area (EEA – hereafter referred to as enforcers)[8] and by ESMA.

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 International Financial Reporting Standards (IFRS) and non-financial reporting obligations, and apply ESMA's recommendations, including the European Common Enforcement Priorities (ECEP).
Provide an overview of the activities carried out by ESMA and enforcers in the area of financial and non-financial information, as well as digital reporting, to promote transparency and accountability to the market.

2. The report is structured and colour-coded around separate presentations of enforcement activities in relation to financial reporting (**blue**), which includes IFRS reporting and APM reporting, to non-financial reporting[9] (**green**), and to digital reporting (**purple**):



3. This report 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.

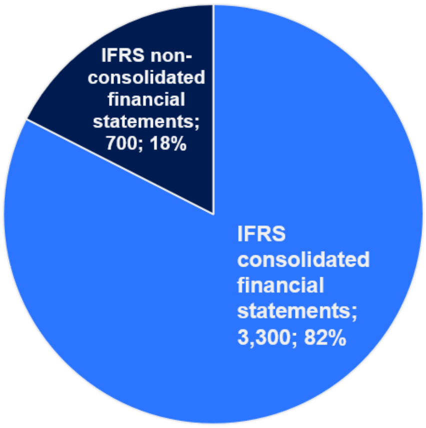
4. The main addressees of the report are issuers (e.g., issuers' management as well as administrative and supervisory bodies, including audit committees), auditors and other professionals working in the field of corporate reporting.

[8] Please refer to Annex 1 for a list of the enforcers.
[9] 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

5. This section describes the main activities carried out by enforcers and by ESMA during 2023 regarding financial reporting. The main focus of ESMA's enforcement activity in this area is on the requirements of the Transparency Directive[10] in relation to the application of the IAS Regulation[11] and as such, on issues related to IFRS as endorsed by the EU (IFRS reporting, see section 3.2). In addition, this section 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 disclosed in accordance with the Transparency Directive (see section 3.3).

3.1 Number of issuers under enforcement



At the end of 2023, approximately 4,000 issuers preparing IFRS financial statements were admitted to trading on a regulated market within the EU, of which around 3,300 prepared IFRS consolidated financial statements and around 700 prepared only IFRS non-consolidated financial statements. These numbers decreased slightly compared to 2022. For country-by-country information on the number of issuers, please refer to **Annex 2**.

3.2 IFRS reporting

3.2.1 How IFRS reporting is enforced

Background

6. In 2014, ESMA published its Guidelines on Enforcement of Financial Information (the Guidelines/GLEFI)[12], aimed at strengthening supervisory convergence in the enforcement practices amongst the national competent authorities (NCA) designated in each EEA country[13]. In 2022, a revised version of the Guidelines became effective[14].

7. Enforcers are required to annually confirm in writing to ESMA whether they comply, intend to comply, or do not (intend to) comply with the Guidelines[15]. Currently, 25 of 30 EEA countries have indicated to ESMA that they comply with the revised version of the Guidelines, while two NCAs have declared that they intend to comply in the near future.

---

[10] Directive 2004/109/EC
[11] Regulation (EC) No 1606/2002
[12] On the basis of Article 16 of the ESMA Regulation (Regulation (EU) No 1095/2010).
[13] A list of enforcers is included in Annex 1.
[14] ESMA32-50-218 Guidelines – On enforcement of financial information, 4 February 2020
[15] ESMA32-67-802 Guidelines compliance table – *Guidelines on the enforcement of financial information (ESMA32-50-218)*, 4 February 2022

Focus

8. 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 introducing the ECEP and providing enforcers with a forum to coordinate their views on accounting matters prior to taking enforcement decisions at national level, the Financial Reporting Working Group EECS[16] (FRWG (EECS)).

9. Financial information of listed issuers is subject to enforcement, regardless of which reporting framework has been applied. Although the 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), enforcers also examine financial information prepared in accordance with:

- National Generally Accepted Accounting Principles (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

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

11. 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 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. Depending on the enforcer's interaction with issuers, examinations are classified as interactive[17] or desktop examinations.

12. 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. Both entail an assessment of whether this information is compliant with the relevant financial reporting framework. However, the depth and scope of an examination as prescribed in GLEFI cannot be equated with those of an audit of financial statements.

13. 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,

[16] Also known externally as European Enforcers Coordination Sessions (EECS), as defined in ESMA32-50-218, ESMA's Guidelines on enforcement of Financial Information, 4 February 2020.

[17] When questions are asked to issuers and/or documents or further explanations related to financial information are required of issuers.

- Require a corrective note: This action entails that either the issuer or the enforcer itself publishes a note in relation to a material misstatement with respect to the particular item(s) included in already published financial information generally together with the corrected information (unless impracticable), 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 financial statements and, where relevant, corrects the prior year by restating the comparative amounts or includes additional disclosures not requiring the restatement of comparatives.

14. The assessment of whether a departure from the standards is material is made in accordance with the relevant financial reporting framework. In relation to financial reports prepared in accordance with IFRS, paragraph 7 of IAS 1 *Presentation of Financial Statements* states that information is considered material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements.

15. Depending on the nature of the items to which the identified departure from the standards relates, enforcers consider quantitative and/or qualitative factors to determine whether a departure could reasonably be expected to influence the decisions of users. As the assessment of materiality of disclosures involves qualitative considerations to a greater extent, for enforcers it is key that the disclosures provided in financial statements are informative, comprehensive and clear to enable an understanding of the transactions or events having occurred in a given year and how the principles of recognition, measurement and presentation have been applied by issuers.

16. The assessment of materiality often requires judgement and depends on entity-specific facts and circumstances. Therefore, the decision regarding which specific quantitative thresholds and qualitative criteria are to be applied in the context of an individual issuer's financial statements is made by the enforcer conducting the examination of those financial statements.

17. The IFRS Practice Statement 2 *Making Materiality Judgements* published by the International Accounting Standards Board (IASB) in 2017, which includes an overview of the general characteristics of materiality and presents a four-step materiality assessment process, provides helpful guidance on how to make materiality judgements in specific circumstances.

18. When deciding which type of action to apply, enforcers should consider (subject to the existing powers of the enforcer) that the final objective is that investors are provided with the best possible information. Therefore, 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. For instance, a correction in future financial statements might be appropriate when (i) the decision is very close to the date of the publication of the next financial statements (which could also be the interim financial statements of the issuer), (ii) the market is sufficiently informed at the moment the decision is taken or (iii) the decision relates merely to the way information was presented in the financial statements rather than to the substance (e.g., material information is clearly presented in the notes or elsewhere in the financial report, for instance in the management report,

whereas the relevant accounting framework requires the presentation on the face of the primary financial statements or in the notes).

19. 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[18]. Even when no enforcement actions are required, enforcers often make recommendations during the examination process on how certain disclosures could be improved by issuers.

3.2.1.1 Coordination of enforcement

Financial Reporting Working Group EECS[19] (FRWG (EECS))

20. ESMA's activities on supervisory convergence of enforcement are carried out mainly through the FRWG (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 FRWG (EECS) is responsible for coordinating the supervision of approximately 4,000 listed issuers preparing IFRS financial statements and as such currently constitutes the largest regional enforcers' network with supervision responsibilities for IFRS.

21. According to Guideline 10, through the FRWG (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 next FRWG (EECS) meeting to discuss an emerging issue (eight meetings took place in 2023), issues can be discussed in ad-hoc conference calls or through written procedure.

22. The purpose of the FRWG (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 FRWG (EECS) when making enforcement decisions.

23. In addition to discussing supervisory cases, the FRWG (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. The coordination within the FRWG (EECS) enables ESMA and enforcers to identify areas in which there appears to be a lack of guidance or divergent understanding of IFRS. Such areas are subsequently referred to the IASB or the IFRS Interpretations Committee (IFRS IC), as appropriate.

[18] 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.
[19] Also known externally as European Enforcers Coordination Sessions (EECS), as defined in ESMA32-50-218, ESMA's Guidelines on enforcement of Financial Information, 4 February 2020.

Coordination of IFRS enforcement decisions

24. In 2023, 35 emerging issues were discussed in the FRWG (EECS), constituting an increase compared to 2022 where 32 emerging issues were discussed. As regards decisions, enforcers submitted 51 decisions to the FRWG (EECS) database, 13 of which were discussed, compared to 37 decisions submitted and 8 discussed in 2022. Most of the decisions that were not discussed in the FRWG (EECS) had previously been discussed in the group as emerging issues.

25. The most common topics discussed in the FRWG (EECS) concerned issues related to the application of the accounting standards IFRS 9 *Financial Instruments*, IAS 36 *Impairment of Assets,* IFRS 15 *Revenue from Contracts with Customers*, IFRS 3 *Business Combinations*, IAS 19 *Employee Benefits* and IAS 7 *Statement of Cash Flows*. Below, ESMA presents a more detailed description of some topics which were discussed in the FRWG (EECS) during 2023. 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. The examples serve to illustrate some of the issues found and discussed during the year:

- IFRS 9: several issues were discussed regarding the application of requirements related to reclassifications of financial assets from the business model "held to collect and sell" to the business model "held to collect". In all cases discussed, European enforcers concluded that such reclassifications were not acceptable given the strict requirements of paragraph B4.4.1 of IFRS 9. ESMA emphasises that a reclassification is only acceptable if, in addition to the other requirements in paragraph B4.4.1, a clear link is established and evidenced between an external or internal change such as disposal or acquisition of a significant activity and the financial assets that are subject to reclassification. Generally, reclassifications of financial assets that are made solely to comply with prudential rules or capital requirements do not meet the criteria set out in the standard.

- IAS 36: Issues were discussed in relation to impairment of non-financial assets in light of climate targets and commitments, including the reasonableness of the assumptions and methodologies used by issuers when calculating the value in use under IAS 36.

- IFRS 15: The discussions focussed on the interaction between IFRS 15 and IFRS 16 in sale and lease back transactions linked to corporate wrappers as well as definition of revenue (as opposed to gains).

- IFRS 3: Issues discussed in relation to business combinations included the definition of a business, for instance, in the context of the acquisition of real estate assets together with ancillary services using corporate wrappers. Other cases related to the application of paragraph B55 of IFRS 3 dealing with the accounting for remuneration for post combination services in accordance with IAS 19 even though these services were connected with a business combination[20].

[20] 28th Extract from the EECS's Database of Enforcement, 9 October 2023

- Finally, IAS 7: Issues related to classification of cash flows from derivatives[21] as operating, investing or financing activities but also the disclosures required in the IAS 7 concerning restrictions on the availability of cash and cash-equivalents. ESMA calls for heightened attention when preparing and auditing the statement of cash flows and appropriately disclosing judgements when judgements in the classification of cash flows are used, or when restrictions that may affect the availability of cash and cash-equivalents exist within the group (parents and subsidiaries in different jurisdictions).

FRWG (EECS) Database

26. To enable the sharing of enforcement decisions and experiences among enforcers, ESMA manages an internal database, in place since 2005, to which enforcers submit emerging issues and decisions taken within their national enforcement process. According to ESMA's Guidelines on Enforcement of Financial Information (GLEFI), enforcers should submit their emerging issues and enforcement decisions if they meet the criteria defined in the Guidelines.

27. At the end of 2023, the FRWG (EECS) Database contained 1,334 decisions and 728 emerging issues. As such, the database constitutes a large archive of knowledge and is an important source of information for enforcers when they make enforcement decisions.

28. Based on the contents of the FRWG (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 2023, ESMA published two such extracts from its FRWG (EECS) Database, containing 12 and 9 enforcement decisions, respectively[22]. ESMA will continue to publish extracts from the database.

3.2.2 Main indicators of national enforcement activity

29. 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 2023 as presented in section 3.1. Additionally, 40 issuers prepared consolidated financial statements under third country GAAP deemed equivalent to IFRS[23].

30. Altogether in 2023, the financial statements of 703 issuers, corresponding to 17% of listed issuers preparing financial statements under IFRS were subject to examination by enforcers (16% in 2022). Of these, 669 IFRS issuers were subject to ex-post examinations (600 in 2022). Furthermore, enforcers performed follow-ups of examinations completed in previous years on 147 issuers. Such follow-ups are not included in the statistics below.

---

[21] ESMA32-1283113657-1108, Agenda Item Request: Presentation of cash flows from margin calls for certain contracts for sale or purchase of commodities (IAS 7), 19 January 2024.
[22] ESMA32-63-1465 27th Extract from the EECS's Database of Enforcement, 29 March 2023.
ESMA32-193237008-3341 28th Extract from the EECS's Database of Enforcement, 9 October 2023.
[23] Each enforcer's selection of issuers for examination is based on a mixed model whereby a risk-based approach is combined with sampling and rotation. For more details, see paragraph 11 of this report.

31. Table 1 below aggregates information on the number of issuers whose financial information was examined by enforcers over 2023. As can be seen, in 2023 enforcers performed 450 unlimited scope examinations of the financial statements of IFRS issuers, covering financial statements of around 11% of listed IFRS issuers in Europe (10% in 2022). In addition, the financial statements of 253 IFRS issuers were subject to focused examination, representing a coverage of around 6% of listed IFRS issuers (5% in 2022).

Table 1: Issuers examined during 2023

Number of issuers examined	Unlimited scope		Focused		Total 2023	*Total 2022*
	Desktop	*Interactive*	*Desktop*	*Interactive*		
Examinations of financial information in financial reports					**672**	***604***
Ex-post examinations					669	*600*
Annual IFRS financial statements	77	337	86	137	637	*573*
Interim IFRS financial statements[24]	1	12	7	12	32	*27*
Ex-ante examinations					3	*4*
Pre-clearances	0	0	0	3	3	*4*
Examinations of financial statements in prospectuses[25]					**31**	***36***
Financial statements in prospectuses	5	18	1	7	31	*36*
Total number of issuers preparing IFRS financial statements subject to examination	**83**	**367**	**94**	**159**	**703**	***640***
Ex-post examinations of financial statements prepared using third country GAAP deemed equivalent to IFRS	1	0	0	0	1	*0*

32. The following table categorises 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 2023 year-end

Number of IFRS issuers	Countries[26]
1-49	Estonia, Iceland, Latvia, Lithuania, Portugal, Slovak Republic, Slovenia
50-99	Austria, Croatia, Cyprus, Czech Republic, Hungary, Ireland, Malta, Romania
100-249	Belgium, Denmark, Finland, Greece, Italy, Luxembourg, Netherlands, Spain
≥250	Bulgaria, France, Germany, Norway, Poland, Sweden

33. Table 3 shows information regarding the number of examinations and actions taken for each cluster. Altogether, enforcers took actions in 37% of the ex-post examinations performed during

[24] Where both the interim and annual financial statements of an issuer were examined, only the latter examination is counted.
[25] 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 Guidelines 4 and 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 considered for the purpose of this report.
[26] There are no listed issuers from Liechtenstein.

2023 (38% in 2022). The action rate[27] in relation to recognition, measurement and/or presentation issues is 13% (13% in 2022), while the action rate in relation to disclosures represents 24% (25% in 2022).

Table 3: Examinations and actions for IFRS issuers during 2023

Cluster	Issuers per cluster - end of 2023	Issuers subject to unlim. scope exam.	Unlim. scope exam. rate	Issuers subject to exam.	Exam. rate[28]	Issuers subject to ex-post exam.	Issuers for which actions were taken	Sample action rate
1-49 issuers	215	**40**	19%	52	**24%**	46	9	**20%**
50-99 issuers	622	**62**	10%	97	**16%**	91	32	**35%**
100-249 issuers	1,145	**133**	11%	205	**18%**	194	56	**29%**
>250 issuers	2,045	**215**	10%	349	**17%**	338	153	**45%**
Total 2023	**4,027**	**450**	**11%**	**703**	**17%**	**669**	**250**	**37%**
Total 2022	*4,096[29]*	*425*	*10%*	*640*	*16%*	*600*	*225*	*38%*
Total 2021	*4,173*	*458*	*11%*	*711*	*17%*	*619*	*250*	*40%*
Total 2020	*4,294*	*426*	*10%*	*729*	*17%*	*689*	*265*	*38%*

34. Table 4 illustrates the overall distribution of the actions taken by enforcers during 2023 across the type of action, the type of financial statements and the type of issue to which they related. Similarly to 2022, in around 17% of the actions taken, enforcers required issuers to make immediate disclosure to the market by reissuing the financial statements or publishing a corrective note. For the remaining 83% of the actions taken, enforcers considered that a correction in the future financial statements was sufficient. Please refer to Annex 4 for the disaggregated number of actions per country.

Table 4: IFRS issuers for which actions were taken[30]

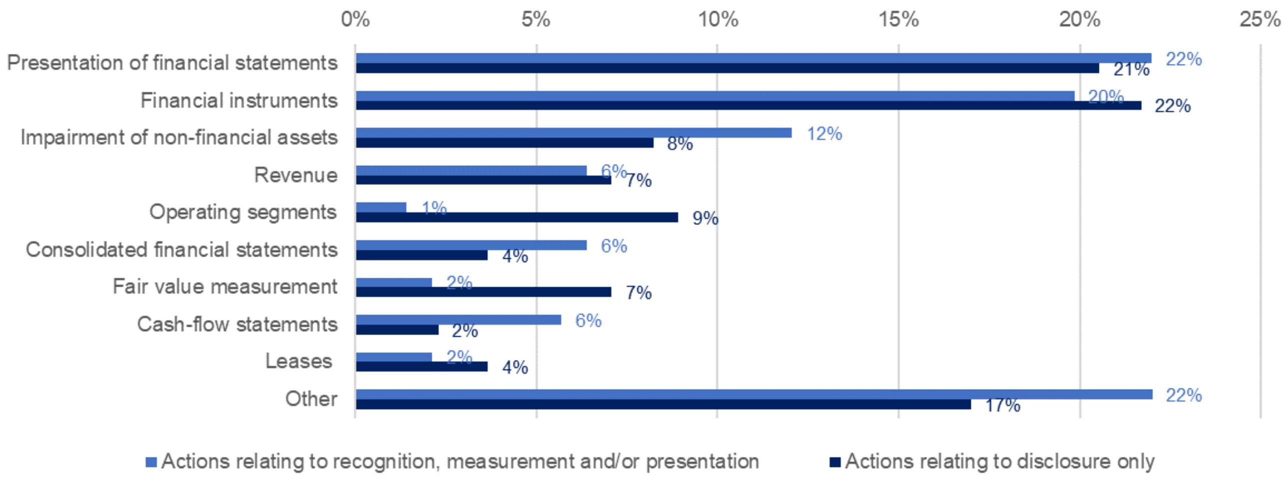
Action Type	Relating to recognition, measurement and/or presentation		Relating to disclosure[31]		Total 2023
	Annual IFRS financial statements	*Interim IFRS financial statements*	*Annual IFRS financial statements*	*Interim IFRS financial statements*	
Require a reissuance of financial statements	0	7	7	1	**15**
Require a public corrective note	14	4	8	1	**27**
Require a correction in future financial statements	63	2	141	2	**208**
Total 2023	**77**	**13**	**156**	**4**	**250**
Total 2022	*63*	*13*	*140*	*9*	*225*
Total 2021	*67*	*7*	*163*	*13*	*250*
Total 2020	*98*	*7*	*136*	*24*	*265*

[27] The action rate included in the report represents the number of issuers for which actions were taken divided by the number of issuers subject to ex-post examinations.
[28] Number of issuers examined divided by total number of issuers.
[29] The figure differs from the corresponding figure in the 2022 report as it has been updated by NCAs post-publication. Annex 2 further details the updated numbers by NCA.
[30] 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.
[31] Actions defined as "Relating to disclosure only" do not include actions which in addition to disclosures also related to measurement, recognition or presentation (such actions are included in actions "Relating to recognition, measurement and/or presentation").

35. Around 36% of all actions taken during 2023 related to issues regarding recognition, measurement and/or presentation, while 64% of all actions related only to disclosure issues. The action rate pertaining to infringements detected in relation to recognition, measurement and presentation principles was 13%, while the action rate concerning infringements with respect to disclosures was 24%. 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 based on those financial statements.

36. Lastly, the following figure presents the areas in which enforcers took actions in 2023 (recognition and/or measurement, and disclosures). Similar to 2022, most actions were taken in four areas, namely financial instruments, impairment testing of non-financial assets, presentation of financial statements and revenue[32].

Figure 1: Areas addressed with enforcement actions during 2023
(issues with respect to recognition, measurement and/or presentation, and with respect to disclosures)



37. The following box outlines some key messages that arise from main areas where enforcers took actions as well as good practices that issuers may consider in their future financial statements:

General ESMA & enforcer messages

- **Presentation of financial statements:** As highlighted in the 2022 ECEP, enforcers welcome comprehensive disclosures on how specific circumstances or events, such as climate risks or geopolitical conflicts affect the issuers. However, sometimes, disclosures concerning assumptions about the future and other major sources of estimation uncertainty (whether related to an ECEP or not), while they may provide information on the issuers' operations and general impact for business, lack specificity about how they affect financial statements. ESMA highlights that when complying with disclosure requirements of IFRS, including IAS 1, issuers should ensure that disclosures enable users of financial statements to understand how these events and assumptions have affected the recognition and measurement of assets, liabilities,

[32] With respect to the "Other" areas addressed with enforcement actions in 2023, the issues identified with recognition, measurement and/or presentation related among other things to interim reporting and misclassification of uncertain tax positions as provisions, while the issues identified with respect to disclosures related primarily to disclosures about provisions, contingent liabilities, and contingent assets, investment properties, and earnings per share.

profit or loss or how the carrying amounts of assets and liabilities may be significantly affected in the near future.

- **Financial instruments:** Some corporate issuers did not provide sufficient disclosure on credit risk concentrations resulting from trade receivables (for example, the gross value and impairment of receivables broken down by age) and/or a description of the impairment methods used for trade receivables. In some cases, enforcers have also asked corporate issuers (i) to disclose the nature and extent of risks arising from financial instruments, and (ii) to supplement their financial statements with quantitative and qualitative information on credit, liquidity and market risks.
- **Impairment tests:** The presentation of the key operating assumptions used in the impairment tests, and the disclosure of sensitivity analyses of key operating assumptions were sometimes lacking, and the range of the sensitivity analysis considered as a reasonably possible variation was not always relevant (in particular, in light of the recent volatility in market). When issuers use fair value less cost of disposal in their impairment tests, the methods used to determine fair value (for example, the multiples used and how they were defined) should be disclosed and, where relevant, a sensitivity analysis may be required.
- **Revenue recognition:** In some cases, insufficient disaggregation or disclosures regarding revenue recognition was provided. Moreover, the breakdown of revenue in the financial statements was not always consistent with other communications from issuers. The presentation of revenue and disclosure of revenue recognition methods was not always sufficiently detailed by the type of revenue and contract.
- Enforcers have noted that some issuers have started including a **separate note** in the beginning of the financial statements with relevant information on cross-cutting areas, such as climate-related matters or Russia’s invasion of Ukraine, together with references to the notes of the financial statements that contain more detailed information. ESMA considers that this helps a user of the financial statements understand the impact of these matters, and where to retrieve further relevant information in the financial statements.

3.2.3 Assessment of compliance with ESMA's 2022 ECEP

38. Establishing European Common Enforcement Priorities (ECEP) is one of the important ways of fostering supervisory convergence across the EEA. Annual ECEP have been published since 2012 and are an essential way to encourage the prevention of misstatements and to enhance the quality and consistency of corporate reporting across the EEA. ESMA published the priorities to be considered in the preparation of 2022 annual financial statements in October 2022 (hereafter referred to as the 2022 ECEP)[33]:

2022 ECEP (Financial reporting)

The macroeconomic environment…	Climate-related matters…	Russia's invasion of Ukraine…
…together with increased uncertainties, has an impact on issuers' financial statements, including those on impairment of issuers' non-financial assets, employee benefits, the revenue from contracts with customers and financial instruments.	…should be consistently presented in IFRS financial statements and non-financial information. 2022 ECEP also focused on the impairment of non-financial assets and provisions or contingent liabilities.	… can impact financial statements, in relation to presentation, impairment of non-financial assets, loss of control, joint control or ability to exercise significant influence, discontinued operations, non-current assets and disposal groups held for sale.

To analyse how the 2022 ECEP were applied, enforcers examined the annual financial statements of a sample of 173 issuers from 29 EEA countries. Issuers in the sample were judgementally selected based on risk and not randomly[34], and, therefore, the findings in the sections below should not be extrapolated to the wider population of listed issuers in the EEA. All findings in the following sections refer to the sub-sample of issuers for whom a given topic was relevant.

Enforcement actions related to the 2022 ECEP

39. Overall, enforcers took twelve enforcement actions based on the examination of the 173 issuers in the sample. These actions mainly consisted of requiring the issuer to correct the relevant matter in future financial statements. Although the sample action rate was 7%, a significant number of recommendations to improve financial statements were made by enforcers.

40. In addition to those actions undertaken in 2023, 27 ECEP examinations of 2022 IFRS annual financial statements were still ongoing as of the publication date of this report. Considering this, certain potential compliance deficiencies observed during this ECEP assessment may be subject to potential additional enforcement action.

41. Table 5 reflects the distribution and types of actions across the areas examined for the purpose of the 2022 ECEP. Other measures refer to informal requests from enforcers to issuers for improvements in future financial statements on aspects that were not identified during an examination as infringements.

[33] ESMA32-63-1320 - Public Statement – *European common enforcement priorities for 2022 annual financial reports*, 28 October 2022.
[34] When selecting issuers for examination for the purpose of the 2022 ECEP assessment, enforcers took into account if at least one of the 2022 ECEP priority topics (macroeconomic environment, climate-related matters or Russia's invasion of Ukraine) was material in the issuer's financial statements.

Table 5: Enforcement actions on the 2022 ECEP sample of issuers

Action type	Macroeconomic Environment	Climate-related matters	Russia's invasion of Ukraine	Total
Reissuance of financial statements	0	0	0	**0**
Public corrective note	0	0	0	**0**
Correction in future financial statements	8	2	2	**12**
Total number of enforcement actions	**8**	**2**	**2**	**12**
Non-actions: Other measures	*10*	*9*	*3*	***22***
Sample size	107	49	45	**173**[35]
Sample action rate	7%	4%	4%	**7%**

3.2.3.1 Macroeconomic Environment

42. Enforcers assessed how issuers addressed the aspects related to the macroeconomic environment highlighted in the 2022 ECEP, based on a sample of 107 issuers. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 2: Composition of sample by total market capitalisation

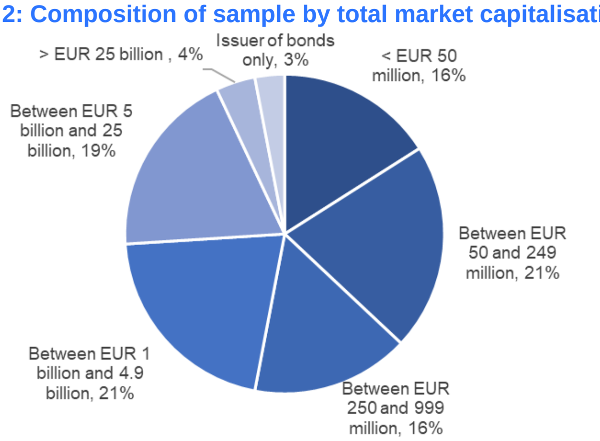
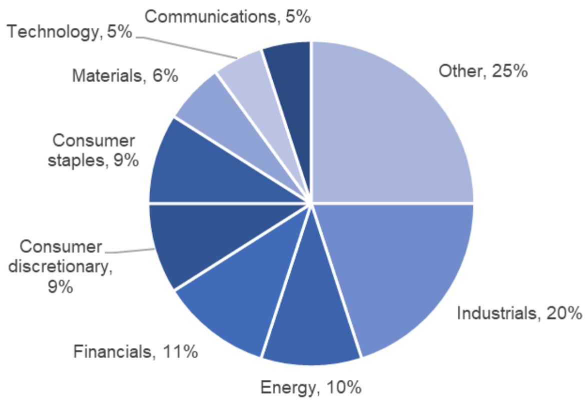


Figure 3: Composition of sample by sector or activity



Analysis of information provided

Key Findings: Although there is still room for improvement, generally satisfactory disclosures allow users of the financial statements to understand the impacts of the current macroeconomic environment

- Generally, issuers have assessed and reflected the impacts that the macroeconomic environment and uncertainties have on their financial statements, providing sufficient disclosures, with respect to factors such as inflation, as well as the increase in interest rates and in commodity prices.
- ESMA welcomes the fact that most issuers (that had material non-financial assets for which the impairment requirements of IAS 36 apply) updated their significant judgements, estimates and assumptions related to impairment requirements considering the macroeconomic environment. However, ESMA notes that there is still room for improvement regarding the

[35] 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 – 173 – is lower than the total of the sample size.

respective disclosures which, in some cases, were not sufficiently transparent. Where impairments of non-financial assets were recognised in relation to macroeconomic effects, issuers in general provided sufficient disclosures regarding the events and circumstances that led to the impairment loss.

- Where applicable, issuers disclosed significant actuarial assumptions used to determine the present value of defined benefit obligations, reflective of the current economic outlook.
- With respect to financial instruments, most issuers provided sufficient qualitative disclosures that enable users of the financial statements to evaluate changes in issuers' exposure to interest rate risks. Improvements to disclosures should be considered in particular with respect to quantitative information and information about financial instruments by industry or sector when disclosing concentrations of market risk as well as credit risk related disclosures of non-financial entities.

Enforcement actions

43. Seven actions (corrections in future financial statements) taken by enforcers regarding the ECEP 'macroeconomic environment' in financial statements are related to disclosures. These include, among others, missing or insufficient disclosures on: (i) quantitative inputs used in fair value calculations, (ii) growth rate assumptions[36] and (iii) changes (or no changes) in the discount rates used in impairment tests that are affected by increasing interest rates. One action (correction in future financial statements) is related to the recognition, measurement or presentation, where the enforcer requested the issuer to disaggregate information regarding material assumptions for level three inputs.

44. For ten issuers, enforcers did not take an enforcement action but identified and communicated to the issuers areas of future improvement in disclosures, particularly concerning disclosures on impairment tests, financial risk concentration and information provided in relation to the sensitivity analysis of key assumptions (i.e., discount rate).

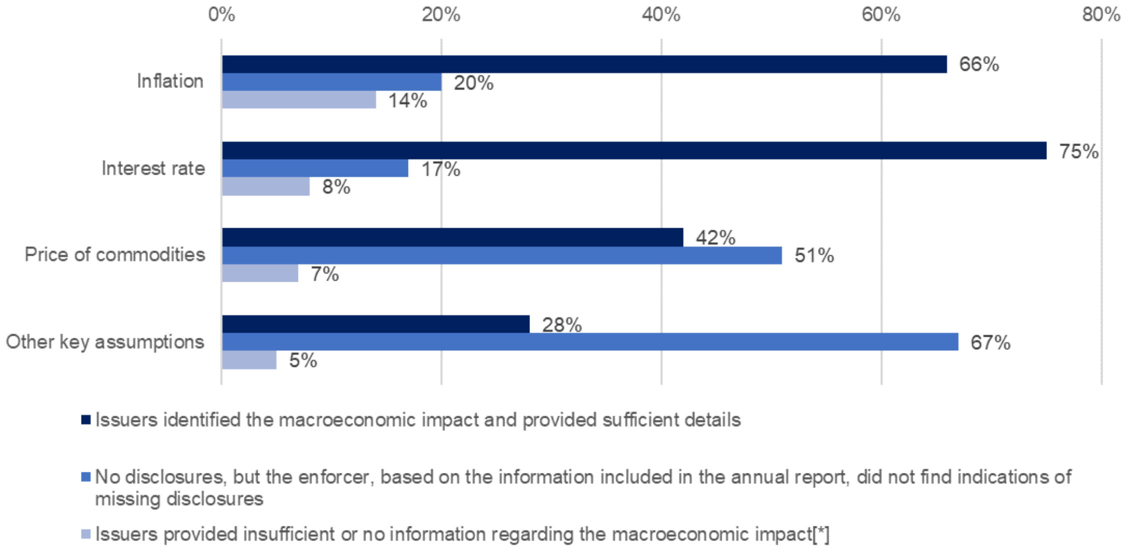
45. Examinations in relation to 21 issuers in the sample considered for the macroeconomic environment ECEP were still ongoing as of the publication date of this report.

Major sources of estimation uncertainty and significant judgements

46. The 2022 macroeconomic context raised important challenges to issuers' operations, pervasively across sectors. ESMA's 2022 ECEP recommendation was for issuers to assess and reflect the impacts that the macroeconomic environment and uncertainties have on their financial statements. To assess how issuers adhered to ECEP, a sample of 107 issuers were selected by the enforcers (all % in parentheses refer to this sample total, unless specified otherwise) for examination. The following breakdown shows which macroeconomic assumptions were mostly considered and disclosed by issuers in the notes to financial statements, as well as misstatements encountered by enforcers when assessing disclosures, i.e., whether the disclosures provided allowed users to assess the impacts of the macroeconomic environment on their financial position, financial performance, and cash flows:

[36] When CGUs (or group of CGUs) included a material amount of goodwill and/or intangible assets with indefinite useful lives.

Figure 4: Level and quality of disclosures regarding specific macroeconomic assumptions

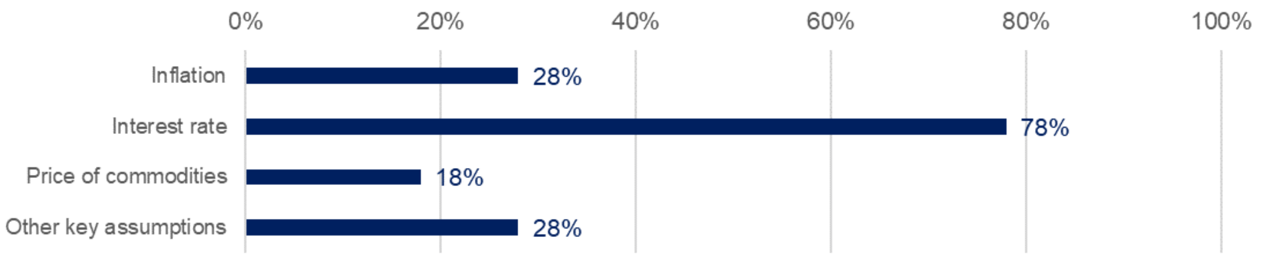


Note [*]: Most of these examinations are still ongoing. For a select few, enforcers have already requested issuers to include information in future financial statements to improve the disclosures provided in financial statements.

47. 57 issuers (53%) disclosed sufficient information regarding (i) significant judgements related to macroeconomic factors that have material effect on the amounts recognised in the financial statements, or (ii) macroeconomic assumptions as major sources of estimation uncertainty, 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 36 issuers (34%), enforcers determined, based on the information received, that there were no missing disclosures. For the remaining 14 issuers (13%), enforcers identified either incomplete or missing disclosures.

48. 67 issuers (63%) disclosed significant judgements or major sources of estimation uncertainty related to the macroeconomic environment. While in 11 of these cases (16%), the explanations of the uncertainties were not sufficient or were not provided, 56 of these issuers (84%) provided sensitivity analyses and related disclosures for at least one of the following key assumptions related to the macroeconomic environment, including disclosures explaining uncertainties in the estimates for such sensitivity analyses:

Figure 5: Sensitivity analysis for significant judgements or major sources of estimation uncertainty linked to specific macroeconomic assumptions



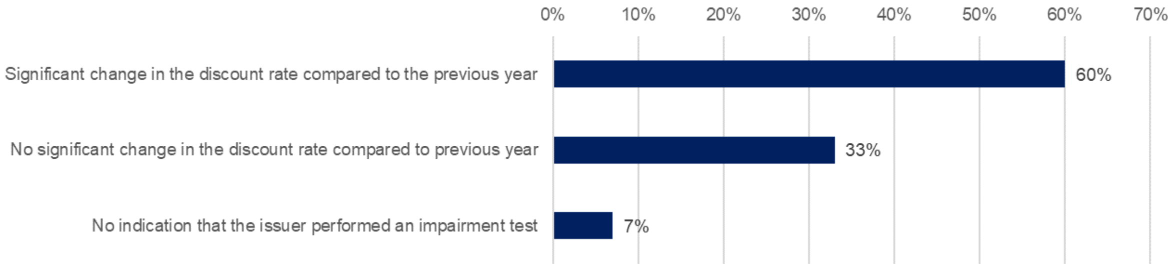
Impairment of non-financial assets

49. In the sample of issuers selected by the enforcers, 84 issuers (79%) had material non-financial assets for which the impairment requirements of IAS 36 apply. The rest of this sub-section is applicable to this set of issuers.

50. 46 issuers (55%) updated significant judgements, estimates and assumptions because of recent changes in their economic and financial situation, due to macroeconomic effects, and provided sufficient disclosures on these updates. In addition, 16 issuers (19%) provided either insufficient or no such disclosures.

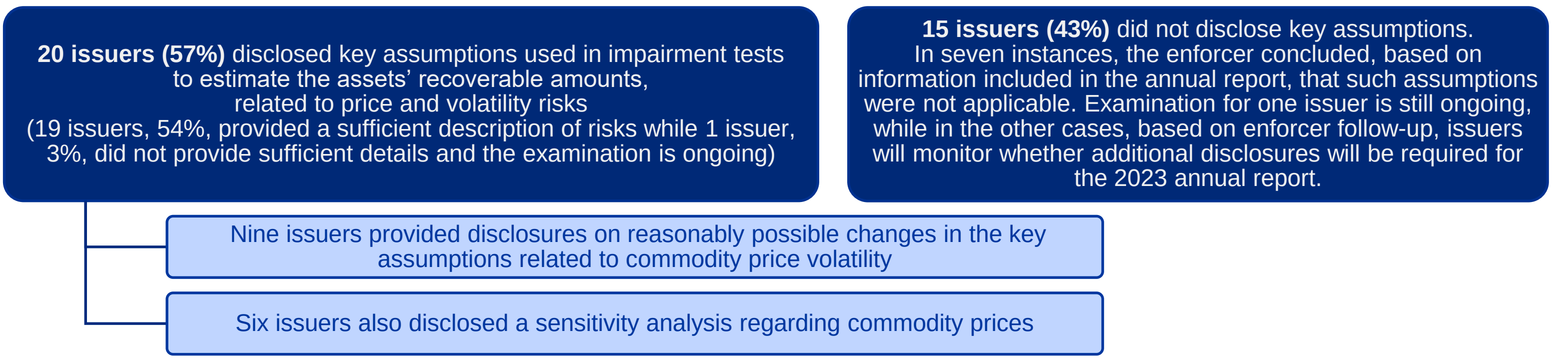
51. According to IAS 36, when there is an indication that an asset may be impaired or when cash generating units (CGUs) include material goodwill or intangible with indefinite lives, issuers should carry out impairment tests. In this respect, ESMA highlighted that the increased interest rates environment and uncertainty should have affected the discount rates used in impairment tests and could impact the recoverable amount of assets' value in use. The analysis to the 2022 ECEP showed that issuers in the sample disclosed:

Figure 6: Disclosures of significant changes in the discount rate



52. 35 issuers (42%) were exposed to high price volatility of commodities (such as oil, gas, electricity, coal and CO_2 emission rights, and certain agricultural products):

Figure 7: Key assumptions related to price and volatility risks



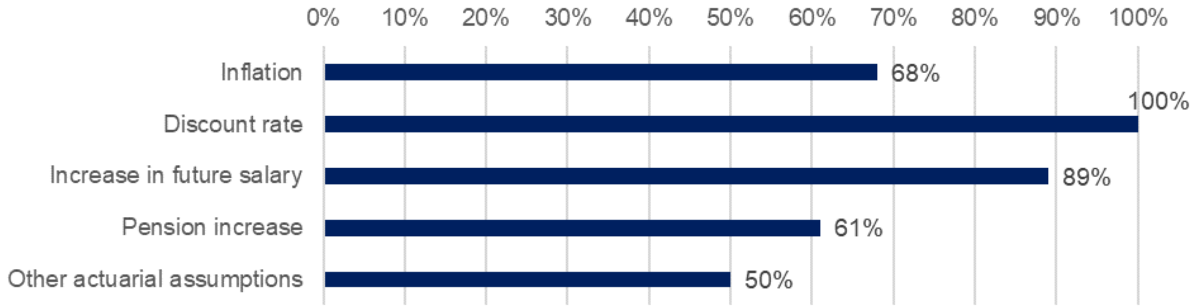
53. 39 issuers (46%) impaired non-financial assets (87% of these issuers provided sufficient explanation of events and circumstances that led to the impairment loss).

Employee benefits

54. In the sample, 28 issuers (26%) had material items in their financial statements related to post-employment benefits that fall under the scope of IAS 19. The rest of this sub-section is applicable to this set of issuers.

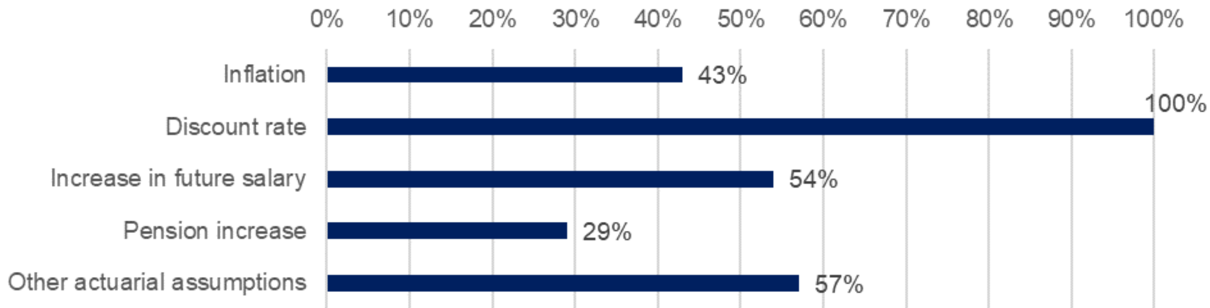
55. All issuers disclosed the significant actuarial assumptions used to determine the present value of defined benefit obligations. The following breakdown of the sample shows issuers that provided disclosures related to the following actuarial assumptions to reflect the current economic outlook:

Figure 8: Significant actuarial assumptions reflecting current economic outlook



56. Furthermore, issuers in the sub-sample provided disclosures related to sensitivity analysis conducted for each of the following actuarial assumptions, including the methods and assumptions used, limitations of methods and changes in methods and assumptions from the previous period:

Figure 9: Sensitivity analysis for specific actuarial assumptions



57. Enforcers identified only three instances where insufficient disclosures were provided with respect to sensitivity analyses conducted for the actuarial assumptions noted above.

58. ESMA welcomes the fact that enforcers did not identify any indications that actuarial assumptions used to reflect the current economic outlook were imprudent, excessively conservative, or not mutually compatible.

Revenue from contracts with customers

59. In the sample of issuers selected by the enforcers, 77 issuers (72%) had material contracts with customers that fall under the scope of IFRS 15. The rest of this sub-section is applicable to this set of issuers.

60. 13 issuers (17%) recognised an asset from the costs incurred to fulfil a contract, of which only four issuers (5%) disclosed their assessment of how additional costs (i.e., due to rising prices of materials, energy costs, salary increases) are expected to be recovered.

61. Six issuers (8%) had contracts with customers that have become onerous in accordance with IAS 37. When significant, these issuers provided sufficient information.

62. With respect to contracts with variable considerations based on movements in a specified inflation index and contracts with customers which have experienced changes (traceable back to the macroeconomic environment) in the transaction price:

Figure 10: Disclosures on specific types of contracts with customers

Six issuers (8%) disclosed contracts with customers which included variable considerations based on movements in a specified inflation index, whereby only one of these issuers has not allocated variable amounts of consideration in line with the requirements of IFRS 15.

Of these six issuers, **three issuers** also indicated the presence of contracts with customers which have experienced changes (traceable back to the macroeconomic environment) in the transaction price. For all three issuers, the allocation of subsequent changes in the transaction price followed the requirements of IFRS 15.

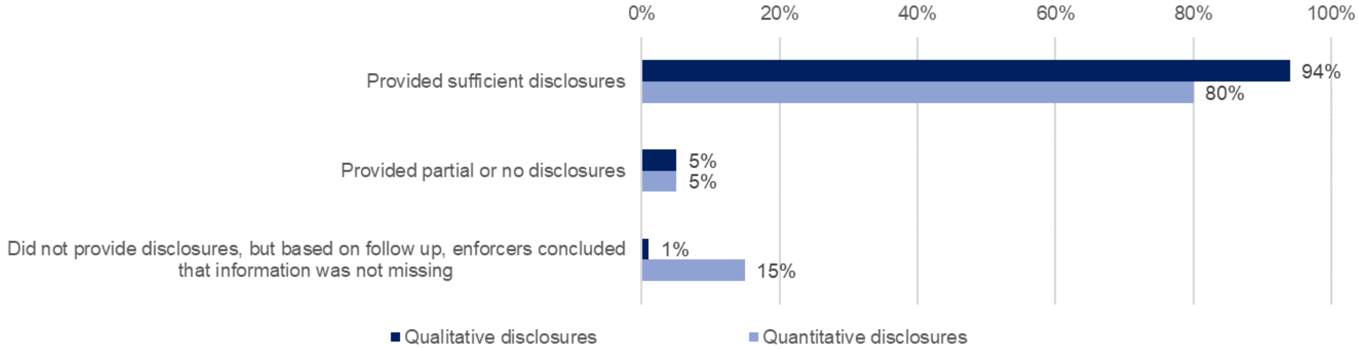
Of these six issuers, **three issuers** provided disclosures regarding the methods, inputs and assumptions used for determining and allocating transaction price, assessing constraints around variable consideration estimates and/or measuring obligations for returns or refunds.

Financial instruments

63. Enforcers selected a sample of 88 issuers that held material financial instruments. The rest of this sub-section is applicable to this set of issuers.

64. In the 2022 ECEP, ESMA highlighted the need to provide disclosures that enable users of the financial statements to evaluate changes in issuers' exposure to interest rate risks, commodity price risks and related liquidity risks in accordance with IFRS 7 *Financial Instruments: Disclosures.* The following figure shows the level of information disclosed by issuers in the sample about risks arising from financial instruments:

Figure 11: Disclosures about risks arising from financial instruments



65. In addition, when disclosing concentrations of market risk, 29 issuers (33%) provided sufficient information about financial instruments disaggregated by industry or sector, identifying sectors specifically exposed to current macroeconomic developments. Additionally, four issuers (5%) provided only partial or boilerplate details.

66. For the eight issuers that provided only partial or no disclosures about risks arising from financial instruments (including disclosures on concentrations of market risks), enforcers have requested the issuers to improve the disclosures in future financial statements (see Table 5).

67. With respect to sensitivity analyses, 62 issuers (70%) ran and disclosed such analyses for each type of material market risk to which the issuers are exposed as a result of the 2022 macroeconomic impacts:

a) Of these issuers, 51 (82%) provided detailed disclosures of methods and assumptions underpinning the analysis. Four issuers (6%) provided only partial disclosures (i.e., provided information about assumptions but not about methods), or no such disclosures, but in the enforcers' view and based on information included in the annual report, they should have (i.e., missing information about methods underpinning the analysis). For seven issuers (11%), enforcers expect, based on information included in the annual reports, that no such disclosures are necessary. For two issuers, the relevant enforcer has requested the issuer to improve the disclosures in future financial statements. The remaining examinations where potential misstatements were identified are still ongoing.

b) Of these issuers, only seven (11%) disclosed changes from the previous period to methods and assumptions used for the sensitivity analysis. All such issuers provided sufficient information about these changes.

68. 60 issuers in the sample (68%) are non-financial entities, which also presented material items exposed to credit risk in their financial statements. With respect to this sub-sample of issuers:

a) 43 issuers (72%) disclosed sufficient information about their credit risk management practices and how these relate to the recognition and measurement of expected credit losses (including methods, assumptions, and information used to measure expected credit losses as well as any changes to credit management practices due to changing economic environment). 12 issuers (20%) made partial or no disclosures in this area. For five issuers (8%), enforcers did not consider, based on information included in the annual report, that such disclosures were necessary.

b) 41 issuers (68%) disclosed sufficient quantitative and qualitative information that allows users of financial statements to evaluate the amounts arising from expected credit losses (ECL), including changes in the amount of ECL and reasons for those changes. Eight issuers (13%) made either only partial disclosures (either only quantitative or only qualitative information) or no disclosures. For 11 issuers (18%), enforcers considered, based on information included in the annual report, that no such disclosures were necessary.

c) 46 issuers (77%) disclosed sufficient information about their credit risk exposure, including significant credit risk concentrations. Four issuers (7%) made either only partial disclosures (either only quantitative or only qualitative information) or no disclosures. For 10 issuers (17%), enforcers did not consider, based on information included in the annual report, that such disclosures are necessary.

d) Across one or more instances above where issuers made partial or no disclosures (16 issuers[37], 27%), for seven instances, enforcers concluded, based on further information obtained from the issuers, that no additional disclosures were deemed necessary due to the lack of material credit risk, while in three instances enforcers requested issuers to improve the disclosures in future financial statements. Most of the other enforcer follow-ups are still pending.

69. In contrast to previous years' ECEP examinations, the focus of 2022 ECEP examinations was on the credit risk disclosures of non-financial entities. Therefore, there were only eight issuers (9%) in the sample that are financial institutions. Of these, six (7%) used management overlays (material adjustments, such as an increase in the level of write-downs of exposures in stage 2 to adequately incorporate the direct and indirect effects of the energy and gas supply crisis in the provisions). Enforcers concluded that all these issuers provided sufficient disclosure on such management overlays.

3.2.3.2 Climate-related matters

70. To assess the recommendations on enhanced consistency and transparency related to climate matters, outlined in the 2022 ECEP, enforcers examined the annual financial statements of 49 issuers. Information about the market capitalisation of the issuers in the sample is presented in the graph below.

Figure 12: Composition of sample by total market capitalisation

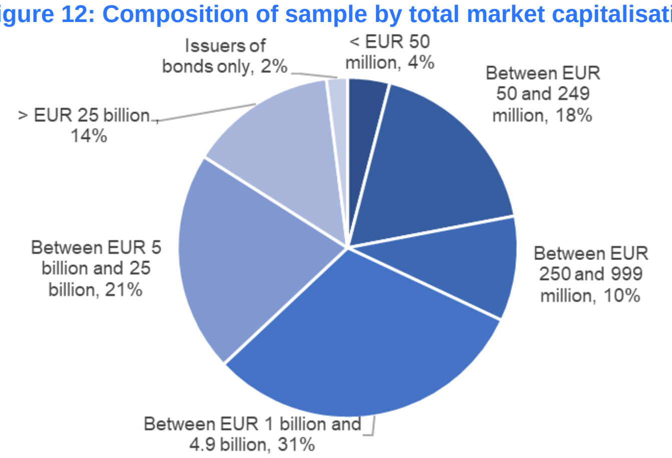
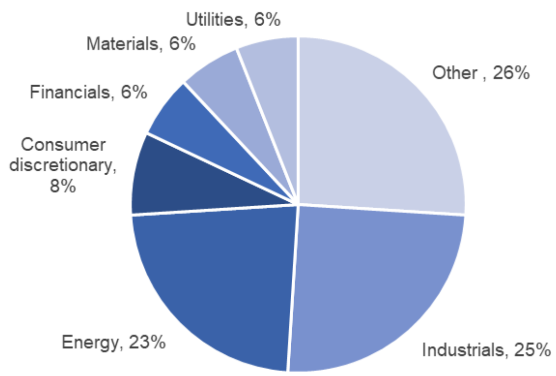


Figure 13: Composition of sample by sector or activity



Analysis of information provided

Key Findings: Consideration for and compliance with ESMA recommendations is generally gaining traction

- Although some improvements in disclosures related to climate matters in the financial statements continue to be needed, ESMA welcomes the fact that issuers generally adhered to ECEP recommendations in an appropriate manner. In this respect, ESMA highlights that judgements and estimates applied in financial statements and information disclosed with

[37] For several issuers, the enforcer follow-up covered more than one area of partial or missing disclosures.

regards to climate-related risks and uncertainties in the management report and non-financial statement were generally consistent.

- Notwithstanding the above, in some cases, climate-related information reported in financial statements, mainly regarding judgements and estimates that could reasonably affect financial information, was not always connected with sustainability risks described outside the financial statements (i.e., where relevant issuers should provide information regarding the (dis) connection between financial and sustainability information inside financial statements).

- ESMA further recommends that issuers consider complementing the disclosures surrounding major judgements and estimations with information about material exposures to climate-related matters. For example, issuers may consider quantifying and disclosing (i) the carrying amounts of assets and/or liabilities and, where possible, separately distinguishing their exposure due to physical and/or transition risks, (ii) which line items in the balance sheet and/or the P&L are more likely to be affected if climate matters materialise (iii) and related sensitivity analyses.

- With respect to impairment of non-financial assets, most issuers disclosed and provided sufficient information regarding key climate-related assumptions used to estimate the assets' recoverable amounts. In order to continue to improve the quality of financial reporting, issuers should consider disclosing how climate-related matters were considered in the estimation of future cash flows, discount or growth rates (for instance, by providing quantifications regarding the assumptions used and explanations as to whether they expect that climate-related matters may lead to an increase of costs in the future, such as energy or carbon dioxide (CO_2) costs of licences, or to potential reductions of revenues).

- All issuers in the sample that engaged in carbon or greenhouse gas emission trading schemes (with material impact on financial statements) provided sufficiently detailed information on their accounting policies regarding these schemes, along with information on how these schemes affect their financial performance and financial position. Issuers are reminded that, given the lack of IFRS guidance regarding the accounting treatment on CO_2 licences, certificates and trading schemes, they should consider disclosing the accounting policies used for the recognition (e.g., which IFRS standard they apply), measurement (e.g., how prices/costs are determined, use of internal/external sources) and presentation (which line items are affected in the balance sheet and the P&L) of such topics.

Enforcement actions

71. Among the sample of 49 issuers assessed on the 2022 ECEP priority regarding climate-related matters, enforcers took two enforcement actions against the issuers in the sample (corrections in the future financial statements): one pertaining to improvements of disclosures on financial assets exposed to climate-related risks (specifically, disclosures on how climate-related concerns were factored into the expected credit loss of mortgage portfolios, considering that these are exposed to sea hazard risk), and the other one action related to improvements of disclosures on key assumptions used in impairment tests (e.g. how climate-matters have been considered into (i) cash flow scenarios in the determination of future cash flows, (ii) discount or growth rates, (iii) growth rate used to extrapolate cash flows beyond a five-year period).

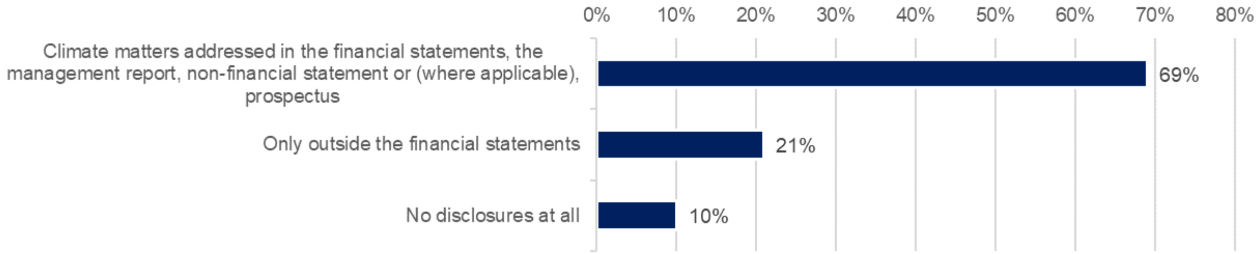
72. For nine issuers, enforcers did not take an enforcement action but identified and communicated to them areas of future improvement with respect to disclosures of climate-related matters. Areas of improvement included disclosures around expected financial impacts related to climate matters and how climate risk is considered in impairment tests, inclusion in the future financial statements of a tailored single note disclosing climate-related matters and how issuers have considered this topic in the assessments and judgements made.

73. Examinations in relation to seven issuers considered for the climate-related matters ECEP were still ongoing as of the publication date of this report.

Consistency between IFRS financial statements and non-financial information

74. In the 2022 ECEP, ESMA re-emphasised the importance of considering climate-related matters when preparing IFRS annual financial statements and ensuring a consistent treatment of such matters across the annual financial report (AFR). In the sample of 49 issuers:

Figure 14: Presence of climate-related matters across the AFR



75. Among the 34 issuers that disclosed climate-related matters across the AFR, for the large majority (32 issuers, 94%), enforcers did not identify any significant inconsistencies between the degree of emphasis placed on material climate-related matters in the management report, the non-financial statement or (where applicable) the prospectus, versus the extent of disclosure on how the risks and opportunities arising from material climate matters have been reflected in the judgements and estimates applied in the financial statements.

Impairment of non-financial assets

76. In the sample, 18 issuers (37%) that had material assets which must be tested for impairment under IAS 36, identified climate-related matters as major sources of estimation uncertainty or causes for significant judgements under IAS 1, of which[38]:

a) 50% had material intangible assets with an indefinite useful life or a material intangible asset not yet available for use;

b) 94% had material amounts of goodwill acquired in a business combination;

c) 50% had material assets for which there is an indication of impairment.

[38] An issuer may have had material assets in more than one area listed in the subsequent bullets.

77. Two issuers (11%) recognised impairments of non-financial assets based on climate-related indicators.

78. For 17 issuers (94%), enforcers concluded either (i) that issuers had disclosed and provided sufficient information regarding key climate related assumptions used to estimate the assets' recoverable amounts (such as detailed disclosure of the sensitivity of the recoverable amounts of CGUs to significant changes in key operational and financial assumption(s) affected by climate related matters), or (ii) that, based on the information included in the annual report and follow-ups with the issuers, that there were no indications of missing disclosures. In one case (6% of the sample) the enforcer concluded that, based on the information included in the annual report, the issuer should have provided disclosures on how it considered climate-related assumptions in impairment tests.

79. For six issuers (33%), there were indications that their cash flow estimates for value-in-use included future cash inflows or outflows expected to arise from climate related commitments. For all these issuers, enforcers concluded that the issuers' cash flow estimates (which, in some instances, considered carbon costs net of the free emissions allowances received) were compliant with the requirements of IAS 36.

80. Half of the issuers considered commodities prices as key assumptions (such as fossil fuels, CO_2 emission rights or electricity prices); ESMA welcomes the fact that, of these issuers, five (56%) provided a quantification of these assumptions, including an explanation of how the figures have been derived, together with any associated judgements. The other four issuers (46%) provided only qualitative disclosures.

Provisions, contingent liabilities and contingent assets

81. Seven issuers (14%) disclosed climate-related matters as major sources of estimation uncertainty of causes for significant judgement with effect on the provisions and contingent liabilities in the scope of IAS 37.

82. Four issuers recognised material provisions in relation to levies imposed by governments for failure to meet climate-related targets, climate-related regulatory requirements to remediate environmental damage (i.e., decommissioning of coal-fired and nuclear power plants and for nuclear waste disposal), restructurings to redesign products or services to achieve climate-related targets and other considerations, such as provisions for CO_2 emissions estimated for the year. One of these four issuers also disclosed material amounts of contingent liabilities related to climate-related regulatory requirements to remediate environmental damage (i.e., permits for renewable energy generation facilities have been appealed against the courts).

Carbon and greenhouse gas emission trading schemes

83. Six issuers (12%) engaged in carbon or greenhouse gas emission trading schemes that have material effects on their financial statements. All issuers provided sufficiently detailed information on their accounting policies regarding these schemes, along with information on how these schemes affect their financial performance and financial position.

3.2.3.3 Russia's invasion of Ukraine

84. To assess the application of IFRS requirements and ESMA recommendations highlighted in the 2022 ECEP on the direct financial impacts of Russia's invasion of Ukraine, enforcers examined the 2022 annual financial statements of 45 issuers during 2023. Issuers in the sample were selected based on whether Russia's invasion of Ukraine has, or is expected to have, a material impact on the issuers' (i) operations in affected markets, or (ii) exposure to commodities most affected by Russia's invasion of Ukraine. Information about the sector and market capitalisation of the issuers in the sample is presented in the graphs below.

Figure 15: Composition of sample by total market capitalisation

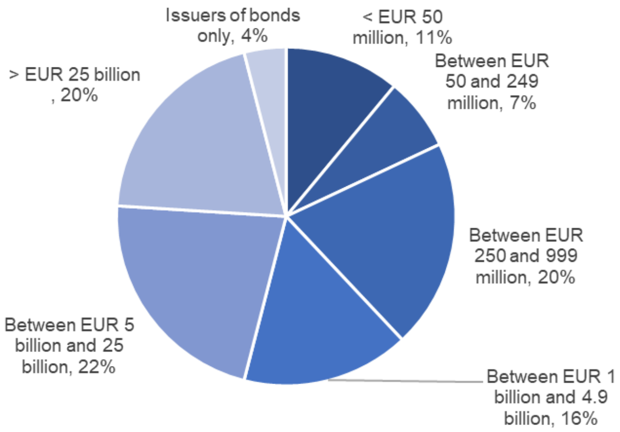
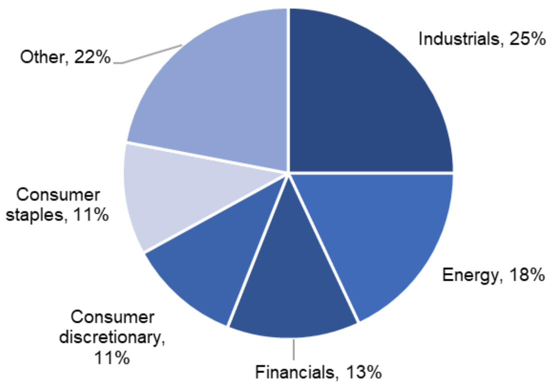


Figure 16: Composition of sample by sector or activity



Analysis of information provided

Key Findings: Issuers generally took ESMA's recommendations on Russia's invasion of Ukraine into consideration in an appropriate manner

- Issuers have generally provided sufficient disclosures regarding material impacts and exposures to affected markets or significant risks, related to Russia's invasion of Ukraine. This includes disclosures with respect to loss of control, joint control or significant influence in interests in subsidiaries, investments, or operations in those regions as a result of Russia's invasion of Ukraine, or presentation of discontinued operations located in Russia, Ukraine and/or Belarus.

- Most issuers included assumptions related to Russia's invasion of Ukraine as major sources of estimation uncertainty or causes for significant judgements in impairment testing and identified an asset impairment based on indicators related to the invasion.

Enforcement actions

85. Among a sample of 45 issuers assessed on the 2022 ECEP priority regarding the financial impacts of Russia's invasion of Ukraine, enforcers took two enforcement actions against the issuers in the sample (corrections in the future financial statements). One action related to disclosures on the reasons for the loss of control in line with IFRS 10 *Consolidated Financial Statements*, and the other related to the presentation of maturity analysis and sensitivity analysis in line with IFRS 7 and accounting for derivatives in line with IFRS 9.

86. For three issuers, enforcers did not take an enforcement action but identified and communicated to them areas of future improvement with respect to assessing the loss of control over Russian entities, performing an updated impairment test for a Russian CGU and improved disclosures across several topics (such as tangible fixed assets, goodwill and operating segments).

87. Examinations in relation to seven issuers in the sample considered for Russia's invasion of Ukraine ECEP were still ongoing as of the publication date of this report.

Presentation of the impacts of Russia's invasion in the financial statements

88. In the sample of 45 issuers selected by the enforcers (all % in parentheses refer to this sample total, unless specified otherwise), most (44) issuers (98%) provided disclosures regarding material impacts related to Russia's invasion of Ukraine in the notes to the financial statements. The disclosures included qualitative and/or quantitative information on (i) the significant impacts, including profit or loss effects, and (ii) the significant judgements and major assumptions applied in the recognition, measurement and presentation of assets and liabilities. This information included disclosures regarding uncertainties around the price development of commodities, energy, and supply chains, impairment of non-financial assets and discontinued operations in Russia as predominant areas. The one other issuer that did not disclose such information was requested by the enforcer to disclose further information in the subsequent financial statements.

89. Furthermore, 38 issuers (84%) disclosed information regarding exposures to affected markets or significant risks related to Russia's invasion of Ukraine. While five issuers (11%) have provided a separate presentation of the impact of Russia's invasion of Ukraine in the profit or loss statement, enforcers concluded that the presentation of line items and subtotals faithfully represent the issuer's financial performance. Three of these issuers presented discontinued operations located in Russia, Ukraine and/or Belarus, and for all three there were no significant inconsistencies identified between the information disclosed in the financial statements and the information presented in the management report, and/or ad-hoc disclosures. Regarding the other two issuers, one examination is ongoing.

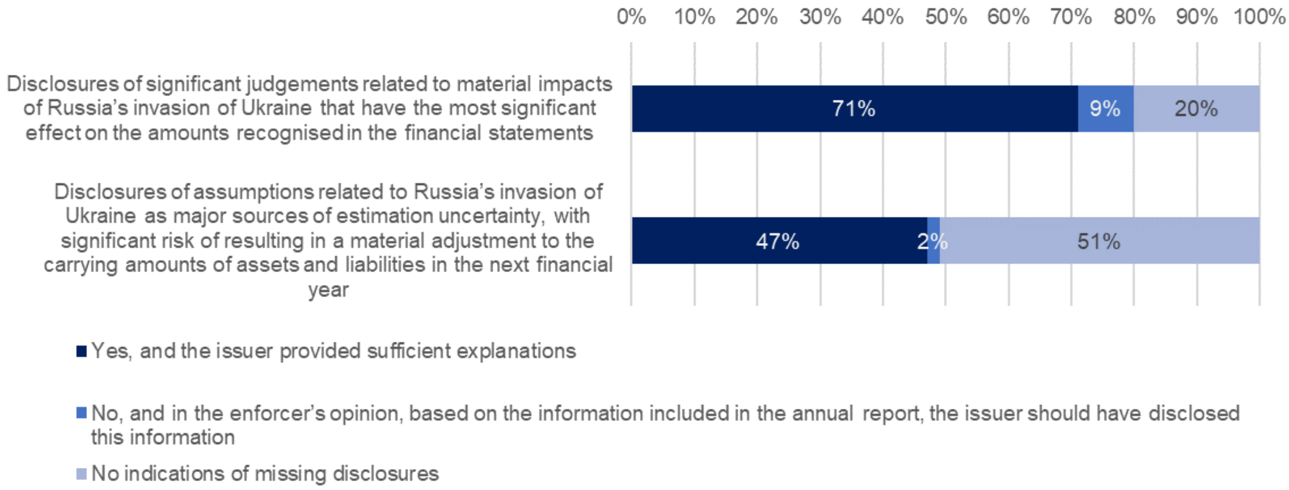
90. A small subset of three issuers (7% of the sample) introduced new APMs or adjusted previously used APMs in the management report to depict material impacts that Russia's invasion of Ukraine had on the issuer's performance and cash flows. Notably, issuers adjusted earnings before interest, taxes, depreciation, and amortisation (EBITDA) for an irrecoverable value of intangible assets, i.e., the capitalised cost of development related to Russian projects, and for impaired loans and investments in Russian subsidiaries. All these issuers also provided explanations of why they believed that the new or adjusted APMs related to Russia's invasion of Ukraine provide useful, reliable and relevant information regarding the financial position, cash flows or financial performance, as well as the purposes for which they decided to use a specific APM and/or to modify a previously used APM.

91. Enforcers noted that the presentation of APMs related to Russia's invasion of Ukraine was not more prominent than measures directly stemming from financial statements.

Major sources of estimation uncertainty and significant judgements

92. In the sample, significant judgements concerning Russia's invasion of Ukraine that impacted the amounts recognised in the financial statements included items such as reducing the transaction price for payments due to export restrictions related to sanctions and sensitivity to discount rates used in impairment testing. With respect to major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, uncertainties cited related to production costs, pricing, product and service quality, investment activities, customer relationships, financing terms, market demands and trends. The following chart outlines the breakdown of the level of disclosures provided in the sample:

Figure 17: Disclosures on significant judgements, estimates and major sources of estimation uncertainty



Loss of control, joint control or the ability to exercise significant influence

93. In the sample, 12 issuers (27%) disclosed loss of control, joint control or significant influence in interests in subsidiaries, investments, or operations in the affected regions as a result of Russia's invasion of Ukraine. Of these issuers, four (33%) had contracts to dispose of interests in other entities (as a result of Russia's invasion of Ukraine), which included call options to buy back shares or clauses addressing deferred payments. These issuers largely provided sufficient detailed disclosures of the sale agreements.

Discontinued operations, non-current assets and disposal groups held for sale

94. In the sample, nine issuers (20%) presented discontinued operations located in Russia, Ukraine and/or Belarus. All issuers provided sufficient disclosures regarding significant judgements made on the classification and measurement of non-current assets held for sale and/or discontinued operations under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of non-financial assets

95. In the sample, 28 issuers (62%) held material assets to which impairment requirements of IAS 36 apply and identified impairment indications relating to assets where Russia's invasion of Ukraine may have an impact.

96. Of these issuers, 21 (75%) included in their impairment testing of assets in scope of IAS 36 assumptions as major sources of estimation uncertainty or causes for significant judgements, related to Russia's invasion of Ukraine (i.e., assumptions reflecting, among others, the impact of the sanctions on future cash flows for value-in-use calculations, euro-denominated dividends to be paid to the parent company, market estimates of company value and discount rate). For the other seven issuers (25%), enforcers concluded based on the information included in the annual report that there were no indications that assumptions linked to Russia's invasion of Ukraine could result in an impairment of non-financial assets within the next financial year and/or of significant judgements linked to Russia's invasion of Ukraine.

97. Of the 21 issuers (75%) which included assumptions in impairment testing related to Russia's invasion of Ukraine:

   a) 18 issuers (86%) disclosed impairment of assets based on indicators related to Russia's invasion of Ukraine. The impairments were largely recognised in connection with the issuers' restructuring of the business activities in Russia and/or with planned disposals.

   b) 12 issuers (57%) disclosed risks and commitments related to Russia's invasion of Ukraine which were included in key assumptions used to estimate the assets' recoverable amounts (i.e., updates to the discount rate, average growth rate and average EBIT margin). The remaining 9 issuers (43%) did not disclose key assumptions regarding risks and commitments.

   c) Only 4 issuers (19%) disclosed a sensitivity analysis regarding Russia's invasion of Ukraine on key assumptions adopted for impairment tests of assets, including sensitivity to increases or decreases to annual discount rate, free cash flow growth rate and EBIT.

3.2.4 ESMA's other activities related to IFRS reporting

3.2.4.1 ESMA reports and public statements

98. As in previous years, ESMA and enforcers agreed on European Common Enforcement Priorities related to IFRS financial statements in advance of the preparation, audit and publication of 2023 annual financial reports and published these in the 2023 ECEP[39].

99. In October 2023, ESMA published a report on disclosures of climate-related matters in the financial statements[40], with the aim to assist issuers to provide more robust disclosures and enhance the consistency in how climate-related matters are accounted for in IFRS financial statements. The report focused on disclosures related to climate matters included in the 2022 annual financial statements of European non-financial corporate issuers.

3.2.4.2 Contribution to the European endorsement process

100. In 2023, ESMA continued to be actively involved in the work of the European Financial Reporting Advisory Group (EFRAG) related to financial reporting by participating as an official observer in the activities of EFRAG's Financial Reporting Board and in its Financial Reporting Technical

[39] ESMA32-193237008-1793 Statement – *European common enforcement priorities for 2023 annual financial reports*, 25 October 2023
[40] ESMA32-1283113657-1041 Report – *The Heat is On: Disclosures of Climate-Related Matters in Financial Statements*, 25 October 2023.

Expert Group (TEG), where ESMA addressed the enforceability of IFRS and shared the experience of enforcers on the application of IFRS in Europe. Furthermore, ESMA participated as an official observer in the activities of EFRAG's Connectivity Advisory Panel, comprised as part of a proactive research project on the connectivity between financial reporting and sustainability reporting information.

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

102. ESMA published four letters providing feedback on EFRAG's draft comment letters addressing the IASB's exposure drafts (EDs) on proposed amendments to the classification and measurement of financial instruments[41] and on proposals related to the international tax reform (Pillar Two Model Rules)[42], as well as the IASB's Requests for Information (RfIs) on the Post-implementation Reviews (PIR) of IFRS 9 impairment requirements[43] and of IFRS 15[44].

3.2.4.3 Cooperation with the IASB

103. As in previous years, throughout 2023 ESMA project teams composed of (i) IFRS experts, (ii) financial institutions and insurance company experts and (iii) revenue recognition experts, together with ESMA staff met regularly to discuss major accounting projects. On this basis, ESMA submitted four letters to the IASB on the EDs and RfIs already mentioned in section 3.2.4.2. Additionally, ESMA submitted a letter addressing the IASB's ED on annual improvements to IFRS[45].

104. Furthermore, the FRWG (EECS) met twice with some members of the IASB's technical staff and some IASB members, in their personal capacity, to discuss complex issues identified by enforcers and for which there is no specific IFRS guidance or where widely diverging application appeared to exist. Whenever relevant, these discussions are taken into consideration by enforcers when carrying out their enforcement activities.

105. Moreover, ESMA contributed to the IFRS IC work by submitting a comment letter to a committee's tentative agenda decision[46] and by attending IFRS IC meetings in its capacity as adviser to the European Commissioner who is an observer of the Interpretations Committee.

106. ESMA also participated in the IFRS Advisory Council, which advises the IFRS Foundation, the IASB and the International Sustainability Standards Board (ISSB).

---

[41] ESMA32-1188985980-275 Letter to EFRAG *on IASB's Exposure Draft Amendments to the Classification and Measurement of Financial Instruments*, 13 July 2023, and ESMA32-1188985980-276 Letter to IASB *on IASB's Exposure Draft Amendments to the Classification and Measurement of Financial Instruments*, 13 July 2023

[42] ESMA32-61-506 Letter to EFRAG *on IASB's Exposure Draft International Tax Reform – Pillar Two Model Rules,* 27 February 2023, and ESMA32-61-505 Letter to IASB *on IASB's Exposure Draft International Tax Reform – Pillar Two Model Rules,* 27 February 2023.

[43] ESMA32-1188985980-284 Letter to EFRAG *on IASB's Request for Information on the Post Implementation Review of IFRS 9 – Impairment*, 27 September 2023, and ESMA32-1188985980-283 Letter to IASB *on IASB's Request for Information on the Post Implementation Review of IFRS 9 – Impairment*, 27 September 2023.

[44] ESMA32-1283113657-1118 Letter to EFRAG *on IASB's Request from Information on the Post Implementation Review of IFRS 15 – Revenue from contracts with customers*, 17 October 2023, and ESMA32-1283113657-1080 Letter to the IASB *on IASB's Request from Information on the Post Implementation Review of IFRS 15 – Revenue from contracts with customers*, 17 October 2023.

[45] ESMA32-64431002-518 Letter to the IASB *on Exposure Draft Annual Improvements – Volume 11*, 7 December 2023.

[46] ESMA32-1188985980-272 Letter to the IFRS Interpretations Committee on Tentative Agenda Decision: *Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)*, 22 May 2023.

3.3 APM reporting

3.3.1 How APM reporting is enforced

3.3.1.1 ESMA Guidelines on APMs

107. ESMA's Guidelines on APMs[47] were published on the basis of Article 16 of the ESMA Regulation 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.

108. 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 true and fair view of the APMs disclosed in a prospectus.

109. ESMA has published several questions and answers on the Guidelines on APMs to promote common supervisory approaches and practices in their implementation[48].

3.3.1.2 Coordination of enforcement

110. FRWG (EECS) also exchange views and discuss experiences on, among other things, application of the Guidelines on APMs to achieve harmonisation in enforcement decisions.

111. FRWG (EECS) 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

112. In 2023, one emerging issue addressing several issues related to the application of the Guidelines on APMs was discussed in the FRWG (EECS).

113. The discussions undertaken by enforcers in the FRWG (EECS), 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 2023, the most common topics of discussion in the FRWG (EECS) concerned

[47] ESMA/2015/1057 ESMA Guidelines on Alternative Performance Measures, 20 June 2015.
[48] ESMA32-51-370 Questions and answers - ESMA Guidelines on Alternative Performance Measures (APMs), 1 April 2022. Also retrievable on the ESMA IT webtool for Questions and Answers.

issues related to the application of the definition of an APM and its interaction with Article 8 of the Taxonomy Regulation[49].

3.3.2 Main indicators of national enforcement activity

114. During 2023, enforcers examined 477 management reports to evaluate the presentation and disclosure of APMs. Around 76% 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

Number of issuers examined	All principles of the Guidelines		Selected principles of the Guidelines		Total 2023
	Desktop	*Interactive*	*Desktop*	*Interactive*	
Ex-post examinations	**138**	**226**	**89**	**24**	**477**
Annual management report	125	218	80	23	446
Interim management report	13	8	9	1	31
Number of issuers whose APMs contained in prospectuses were examined[50]	**17**	**7**	**6**	**3**	**33**
Total number of examinations performed following Guidelines 4 and 6 of the GLEFI	**155**	**233**	**95**	**27**	**510**

115. Table 7 further summarises the examinations undertaken by enforcers in 2023 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 12% (13% in 2022), and the overall action rate was at 18% compared to 15% in the previous year[51].

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

Cluster	Issuers per cluster – end of 2023	Total issuers subject to examinations	Examination rate[52]	Total issuers for which actions were taken	Action rate[53]
1-49 issuers	215	25	12%	1	4%
50-99 issuers	622	90	14%	25	28%
100-249 issuers	1,145	137	12%	37	27%
>250 issuers	2,045	225	11%	24	11%
Total 2023	4,027	477	12%	87	18%

116. Providing further detail regarding the actions taken on the management reports of listed IFRS issuers in 2023, Table 8 shows whether actions related to the annual or the interim management

[49] See Questions 19 and 20 in the ESMA32-51-370 Questions and answers - ESMA Guidelines on Alternative Performance Measures (APMs), 1 April 2022. Also retrievable on the ESMA IT webtool for Questions and Answers under ESMA_QA_1885 and ESMA_QA_1886.
[50] Please note that only examinations of APMs in prospectuses relating to successful initial public offerings (IPOs) and first admissions to trading carried out in accordance with Guidelines 4 and 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 considered for the purpose of this report.
[51] This number differs from the corresponding value in the 2022 report (17%) as the ratio is calculated by excluding 'other measures'.
[52] Number of issuers examined divided by total number of issuers.
[53] Number of issuers for which actions were taken divided by number of examinations carried out.

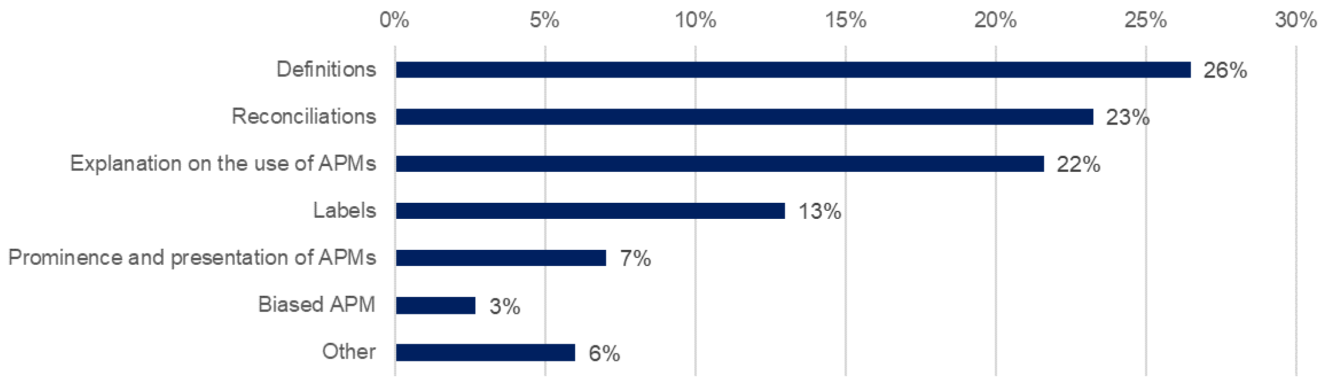
report and which type of action was taken. As in 2022, most actions consisted of enforcers requiring a correction in a future management report. Other measures relate mainly to enforcement of financial information contained in prospectuses. Please note that one enforcement action can relate to multiple areas of non-compliance.

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

Action Type	Annual management report	Interim management report	Total 2023
Require a reissuance of the management report	0	0	**0**
Require a public corrective note	1	0	**1**
Require a correction in future management report	76	10	**86**
Total 2023	**77**	**10**	**87**
Other measures	*9*	*0*	***9***

117. Lastly, in relation to the activities undertaken by enforcers during 2023, the following figure illustrates the topics on which enforcement actions related to compliance with ESMA's Guidelines on APMs were taken. The figure shows that, similarly to last year, the areas in which most infringements were identified were definitions, reconciliations and explanations, followed by labels.

Figure 18: Areas addressed with enforcement actions during 2023



3.3.3 Assessment of compliance with ESMA's 2022 ECEP

118. The brief considerations on the application of the ESMA Guidelines on APMs in relation to Russia's invasion of Ukraine included in a separate section of the 2022 ECEP 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

119. At the end of 2023, approximately 2,300 listed issuers were within the scope of enforcement activities for the purpose of assessing the disclosures in the non-financial statements prepared in accordance with Article 19a or Article 29a of the Accounting Directive (Directive 2013/34/EU). For country-by-country information on the number of issuers, refer to Annex 5.

4.1.2 How is non-financial reporting enforced

4.1.2.1 Legislative context

120. 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[54] to publish non-financial information. Issuers in most Member States published their first non-financial information under the NFRD in 2018 (covering financial year 2017).

121. While it is the Accounting Directive that places an obligation on certain issuers to publish non-financial information, it is the transposition into national law of both the Accounting Directive and 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[55], and the management report is required by the Transparency Directive, thus making it subject to the powers given to national competent authorities therein.

122. In June 2020, the Taxonomy Regulation (Regulation (EU) 2020/852) was published in the Official Journal of the European Union. Article 8 of the Taxonomy Regulation sets out specific reporting obligations that shall be fulfilled by disclosing detailed information on the degree of taxonomy eligibility and alignment of an entity's economic activities. This information shall be provided within an entity's non-financial statement and therefore the taxonomy reporting generally falls under the remit of the national authorities responsible with the supervision of the non-financial statement.

123. In December 2022, the Corporate Sustainability Reporting Directive (CSRD, Directive (EU) 2022/2464) was published in the Official Journal of the European Union. The CSRD amends the Accounting Directive, the Transparency Directive, the Audit Regulation (Regulation (EU) No 537/2014) and the Audit Directive (Directive 2006/43/EC) to introduce a more comprehensive reporting, supervision and assurance regime for sustainability reporting compared to that envisaged by the NFRD. Notably, the CSRD:

---

[54] 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. PIEs are issuers listed on regulated markets, credit institutions, insurance undertakings and other undertakings defined by EU member states as PIEs.
[55] The non-financial statement may also be included in a separate report.

- 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 or ESRS (Commission Delegated Regulation (EU) 2023/2772),
- foresees a proportionate reporting regime for small and medium sized entities,
- 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 sustainability information.

124. The new requirements will apply with a phase-in approach starting from financial years beginning on or after 1 January 2024. In its Public Statement on the Common Enforcement Priorities[56], ESMA noted that it can generally be expected that the issuers impacted by the new requirements will likely face a significant learning curve when implementing the new requirements. ESMA therefore called on issuers to start ad-hoc transition projects to implement the new requirements as soon as possible.

125. ESMA also highlighted that, in order to support the implementation of the ESRS, EFRAG – the body providing technical advice to the European Commission on the draft ESRS – has launched an online portal for technical questions[57]. Finally, ESMA encouraged issuers to consider liaising with their enforcers on any application questions. ESMA and enforcers are ready to contribute to implementation support with the objective of promoting consistent application of the ESRS.

4.1.2.2 Coordination of enforcement

126. To achieve harmonisation in enforcement decisions, enforcers from the EEA exchange views and discuss experiences on enforcement of non-financial reporting in the Sustainability Reporting Working Group (SRWG), a permanent working group of ESMA's Issuers Standing Committee (ISC). The main areas of focus with regards to sustainability information include:

- exchange of views on methods for supervising non-financial information of issuers whose securities are already admitted to trading 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,

[56] ESMA32-193237008-1793 - Public Statement on European common enforcement priorities for 2023 annual financial reports.
[57] EFRAG's Q&A portal is accessible here.

- suggestion of common supervisory or enforcement priorities at European level and communication of such areas to the market,

- drafting of guidelines, supervisory briefings or Questions & Answers (Q&As),

- closely following the developments in the area of sustainability reporting.

127. As part of its efforts to coordinate the supervision of sustainability reporting requirements pursuant to the CSRD, on 15 December 2023 ESMA launched a public consultation on the draft Guidelines on the Enforcement of Sustainability Information (GLESI). Following the end of the consultation period on 15 March 2024, ESMA will analyse the feedback received and prepare a Final Report for publication expected in the summer of 2024.

4.2 Main indicators of national enforcement activity

128. During 2023, enforcers undertook 515 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. Some of the examinations related to checking only whether the non-financial statement had been prepared ("existence only" – 24%) while most examinations 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" – 76%). The examination rate in 2023 on content examinations was 17%. The table below provides the detailed breakdown of the examinations performed during 2023.

Table 9: Issuers examined for the purpose of the amended Accounting Directive[58] during 2023

Number of issuers examined	Non-financial statement included in annual management report	Non-financial statement presented as separate document	Total
Existence only	**99**	**27**	**126**
Content	**273**	**116**	**389**
Unlimited examinations	***190***	***55***	***245***
- Desktop	*38*	*17*	**55**
- Interactive	*152*	*38*	**190**
Focused examinations	***83***	***61***	***144***
- Desktop	*47*	*47*	**94**
- Interactive	*36*	*14*	**50**
Total 2023	**372**	**143**	**515**

[58] The examinations do not include issuers from Croatia, Cyprus, Ireland, Hungary and Liechtenstein. In the first four countries, enforcers do not have powers relating to the non-financial statement. Enforcers in Estonia and Germany examined only whether the non-financial statement had been prepared ("existence only").

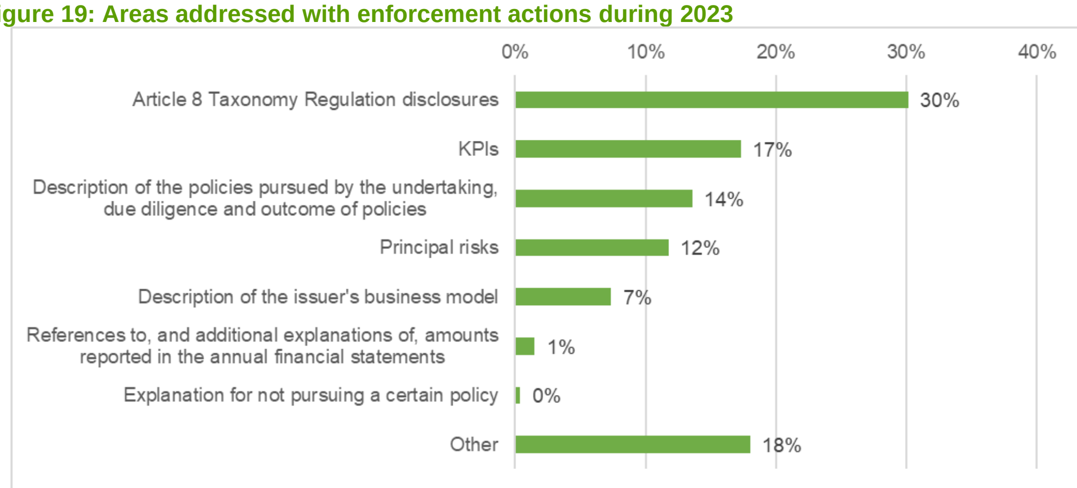
129. As detailed further in Table 10, the 389 content examinations of non-financial statements in 2023 led to enforcement actions related to content taken for 91 issuers, causing an action rate of 23%[59], compared to 26% in the previous year[60]. Most actions required the issuer to make a correction in a future non-financial statement. Please note that one enforcement action can relate to multiple areas of non-compliance. The "other measures" relates to NCAs' recommendations which were not formalised into any of the other actions and which were voluntarily adhered to by the concerned issuers.

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

Action Type	Non-financial statement included in annual management report		Non-financial statement presented as separate document		Total actions for content examination	Total 2023
	'Existence-only' examination	*'Content' examination*	*'Existence-only' examination*	*'Content' examination*		
Require a reissuance of the non-financial statement	0	1	0	1	2	**2**
Require a public corrective note	0	1	0	1	2	**2**
Require a correction in future non-financial statement	6	81	0	6	87	**93**
Total 2023	**6**	**83**	**0**	**8**	**91**	**97**
Other measures	*6*	*29*	*0*	*6*	35	**41**

130. The following figure illustrates the topics on which enforcement actions were taken during 2023. Two thirds of all actions related to the disclosure – or the lack thereof – regarding Article 8 Taxonomy Regulation, Key Performance Indicators (KPIs) and the issuer's principal risks, as well as to the description of the issuer's policies. The "Other" areas addressed with enforcement actions in 2023 primarily related to greenhouse gas (GHG) emission reduction targets and the perimeter of the non-financial statement.

Figure 19: Areas addressed with enforcement actions during 2023



[59] ESMA did not account in this rate for the existence-only checks done by NCAs that also have a mandate on the supervision of the content.
[60] The 2022 report contains a different corresponding value (25%), as it also included existence-only examinations, existence-only actions and 'other measures' in calculating the ratio.

4.3 Assessment of compliance with ESMA's 2022 ECEP

131. ESMA published the following 2022 ECEP to be considered in the preparation of 2022 annual non-financial statements in October 2022, including a number of recommendations related to:

2022 ECEP (Non-financial reporting)

Climate-related policies & their outcomes	Reporting scope and data quality of an issuer's non-financial reporting	Disclosures related to Article 8 of the Taxonomy Regulation

As further summarised in section 4.3.3 of this report, on 25 October 2023 ESMA published[61] the findings from the review of the Article 8 Taxonomy disclosures of 54 non-financial issuers from 22 EU Member States based on the recommendations included in the 2022 ECEP.

Unless otherwise specified in this report, the statistics and metrics relating to the review of the 2022 ECEP in this report relate to the priorities (i) climate-related policies and outcomes and (ii) reporting scope and data quality. For the purpose of collecting data on the way issuers addressed these areas, over the course of 2023 enforcers examined non-financial statements from a sample of 85 issuers from 25 EEA countries[62].

132. Of the 85 non-financial statements examined, 56% were included directly in the management report and 25% via cross-reference to a separate non-financial statement, while 8% presented the non-financial statement separately but still within the annual financial report (AFR). Finally, 11% of the examined issuers presented the non-financial statement separately outside the AFR[63]. Almost all non-financial statements examined (99%) were consolidated statements.

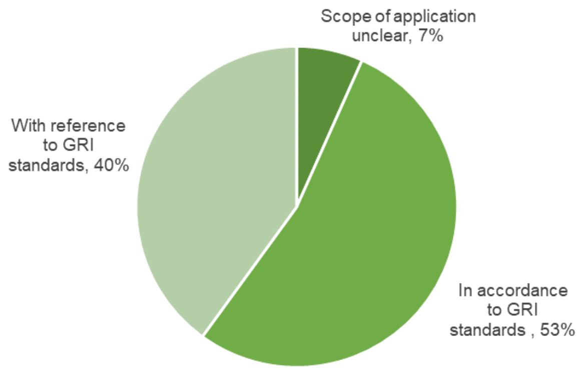
133. For most issuers, the statutory auditor or audit firm verified whether the issuer provided a non-financial statement. For 64% of issuers, the information contained in the non-financial statement was verified by an independent assurance service provider (89% by a statutory auditor, 9% by another audit firm, 2% by a third-party assurance provider other that an audit firm), and in most cases on a limited assurance basis. In terms of the scope of the assurance, for 43% of issuers, compliance with the transposed requirements of the Accounting Directive was verified, for 13% of issuers assurance was provided with respect to the compliance with Global Reporting Initiative (GRI) standards or another disclosure framework and generally only for a selection of non-financial performance indicators, for 20% of issuers assurance was provided with respect to both compliance with the transposed requirements of the Accounting Directive and to the compliance with GRI standards or another disclosure framework, while for 24% assurance was provided against other scopes (e.g., local Accounting Act).

134. 92% of issuers specified which disclosure frameworks they (partly) applied and 77% of them also indicated which information was prepared on the basis of the adopted frameworks. 82% of these issuers used GRI standards and 63% indicated the application of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The following figure illustrates the scope

[61] ESMA32-992851010-1098, *Results of a fact-finding exercise on corporate reporting practices under the Taxonomy Regulation*
[62] The sample does not include issuers from Croatia, Cyprus, Hungary, Iceland, Ireland and Liechtenstein.
[63] It shall be noted that even when included in the management report, either directly or by means of cross-references, the non-financial information may be distributed across different sets of documents.

of the application of the GRI standards by the issuers who indicated which disclosure framework they applied.

Figure 20: Scope of the application of the GRI standards



135. 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 relevant 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.

136. Information about the sector and capitalisation of all 85 issuers in the sample is presented in the figures below.

Figure 21: Composition of the sample by total market capitalisation

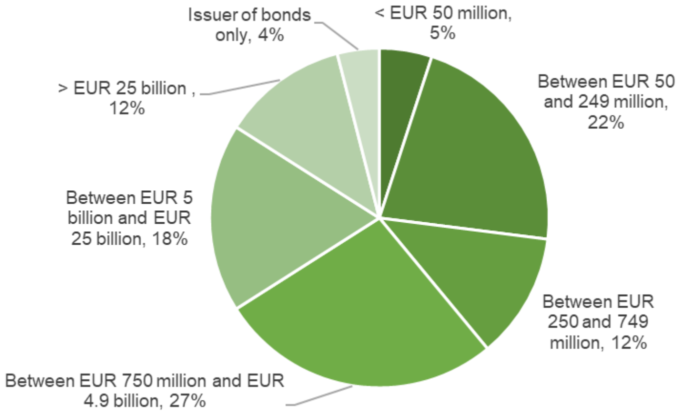
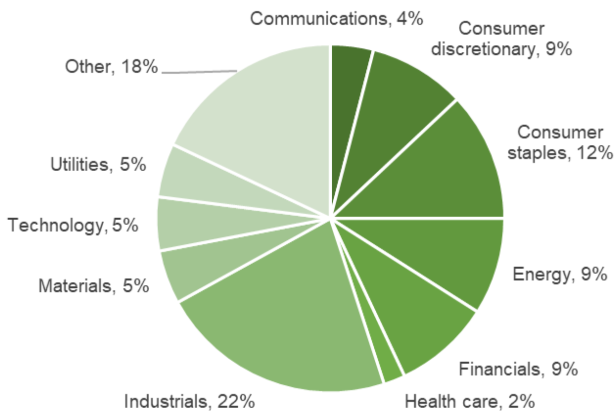


Figure 22: Composition of the sample by sector or activity



Enforcement actions related to the 2022 ECEP

137. Overall, enforcers took 23 enforcement actions based on the examination of the 127 issuers in the overall sample, all in the form of requiring the issuer to correct the relevant matter in the future non-financial statement. In addition, examinations in relation to 18 issuers were still ongoing at the end of 2023. The sample action rate was 18%.

138. The table below reflects the distribution of actions taken across the three focus areas of the 2022 ECEP.

Table 11: Enforcement actions on the sample of issuers

Action Type	Climate-related matters	Reporting scope and data quality	Disclosures relating to Article 8 of the Taxonomy Regulation	Total
Reissuance of non-financial statement	0	0	0	**0**
Public corrective note	0	0	0	**0**
Correction in future non-financial statement	8	6	9	**23**
Total number of enforcement actions	**8**	**6**	**9**	**23**
Sample size	85	85	68	127
Sample action rate	9%	7%	13%	18%

4.3.1 Climate-related matters

Analysis of information provided

Key Findings: Quite high coverage of emissions targets and metrics and more limited disclosures on transition plans. A diverse picture emerges on comparability and overall disclosure quality.

- A significant number of companies equal respectively to 80% and 73% of the entities in the sample reviewed provided disclosures on both forward-looking and backward-looking GHG emissions disclosures.
- However, the quality of the disclosures still varies significantly, in some cases the disclosure of emissions targets is not always followed by backward-looking metrics on GHG emissions. While not prevalent in our sample, still around 10-12% of companies in the sample disclose both emissions targets and metrics only in qualitative terms.
- Transition plan disclosures are adopted by a majority of the issuers in the sample (55%), but there are not yet as widespread as it would be necessary to meet users' information needs.
- For a significant proportion (40%) of the transition plans published, the information is considered to not be sufficiently specific to assess the claims made in the plan, with 23% of the plans disclosed lacking information on the progress made in fulfilling the plan's objectives.

Enforcement actions

139. Enforcers took eight enforcement actions in relation to disclosures on climate-related matters, or lack thereof, in 2022 non-financial statements (requiring corrections in the future non-financial statement). The corrections in future non-financial statements related to the issuers being asked to disclose additional information on climate-related matters, as they pertain to environmental targets and objectives, GHG emissions segmentation and Scope 1, 2 and 3 breakdowns.

140. For 11 issuers, enforcers took other measures, which related, among other topics, to the need for additional explanations on the methodology and assumptions used to prepare actual emission

metrics, information regarding carbon credits and specifications concerning which activities are included in the environmental footprint along with differentiation of exclusions of activities from environment footprint due to immateriality versus due to inability to calculate.

141. Thirteen examinations were still ongoing as of 31 December 2023.

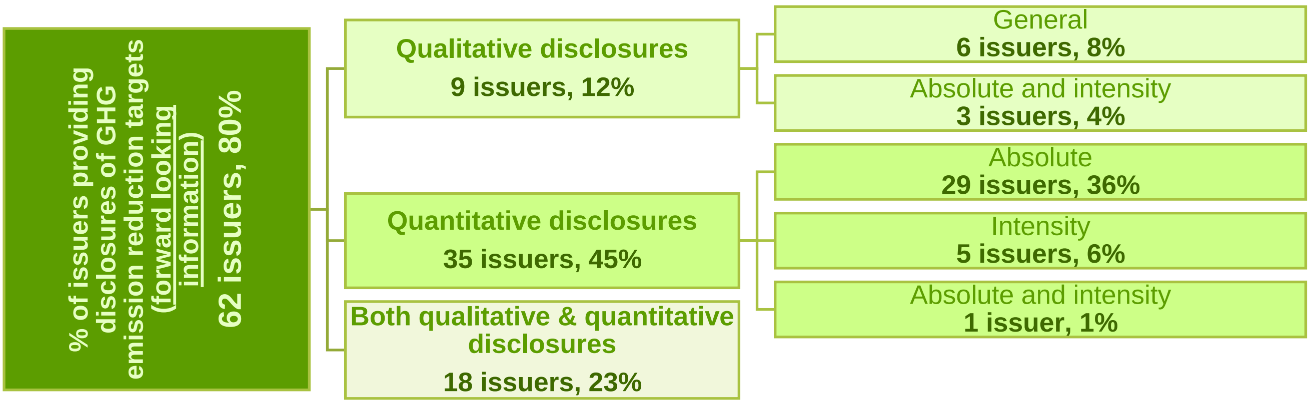
GHG Emission reduction targets and metrics

142. In the sample of 78 issuers selected by the enforcers (all % in parentheses refer to this sample total, unless specified otherwise) that disclosed climate-related information within the non-financial statement because of a positive materiality assessment, 62 issuers (80%) provided disclosures with respect to their GHG emission reduction targets; the following table provides a breakdown of disclosure types (qualitative and quantitative) provided by these issuers.

143. Amongst the issuers that did not provide GHG emissions reduction targets it was noted that in one case the issuer declared emission reduction targets to be not relevant for its sector of activity (i.e., Communications), in other cases, the disclosures were deemed to be absent when the targets were expressed in vague terms. In several of these instances key elements of target disclosures were deemed to be missing such as: the description of the relationship of the target to the policy objectives, the methodologies and significant assumptions used to define targets or information as whether the undertaking's targets related to environmental matters are based on conclusive scientific evidence.

144. Areas of improvements identified in the disclosures included: indication of the baseline value of the target, the units the target is measured in, as reductions are often presented as percentages only, including a comprehensive analysis of the value chain and geographical scope, providing more details on baseline values behind chosen target levels and introducing interim targets or milestones.

Figure 23: Disclosures on GHG emission reduction targets



145. Among the 62 issuers that provided GHG emission reduction target disclosures (of which five issuers (8%) in the sub-sample were subject to an existence only examination and are further excluded from the below). Out of the 57 issuers:

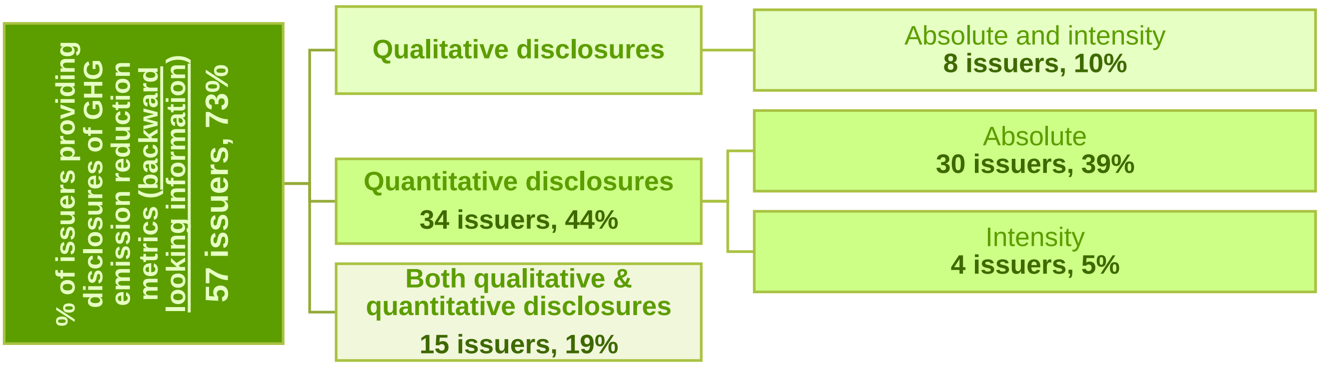
a) 33 issuers (58%) provided sufficiently specific information to enable users of non-financial statements to assess these targets (including information such as an inventory of GHG emissions for both Scope 1, 2 and 3 emissions, quantification of targets in terms of percentage reductions, methodologies and significant assumptions used to define targets, whether the targets were approved or aligned with the Science-based Targets Initiative - SBTi). For 24 issuers (42%), which provided no or only partial information, enforcers indicated that improvements could be achieved by, among others, increasing the entity-specificity of the disclosures and providing additional details regarding target alignment with broader policy objectives and baseline values behind chosen target levels.

b) 20 issuers (35%) provided sufficiently detailed explanations of the uncertainties and challenges surrounding the entity's ability to meet GHG emissions reduction targets, including explanations on the likelihood that these targets will be achieved. For 37 issuers (65%), enforcers found that the information was not sufficiently specific. In some cases, enforcers recommended that the presentation of the information on uncertainties and challenges could be improved by systematically grouping it under one single section of the non-financial statement.

c) 11 issuers (19%) provided sufficiently detailed information about negative impacts on the other sustainability factors that may arise from the measures taken/planned to meet the GHG emission reduction targets (citing factors such as impact on suppliers and uncertainties and challenges regarding workers directly impacted by the transition). 46 issuers (81%) provided boilerplate or no such information.

146. 57 issuers (73%) disclosed actual GHG emissions reduction metrics; the following table provides a breakdown of disclosure types (qualitative and quantitative) provided by these issuers:

Figure 24: Disclosures on GHG emission reduction metrics



147. Among the 57 issuers that provided GHG emission reduction target metrics (of which four issuers (7%) in the sub-sample were subject to an existence only examination), 32 issuers (56%) provided sufficient information on the methodology and assumptions used to prepare the actual emission metrics (including information on the adoption of the GHG Protocol, by type of emissions – Scope, 1, 2, 3, regarding data source and quality, databases used and due diligence processes in place). 11 issuers (19%) provided only partial or boilerplate disclosures, while 10 issuers (18%) did not provide any such disclosures.

Climate-related transition plans

148. 43 issuers (55%) disclosed a climate-related transition plan. European enforcers assessed whether at a minimum the plans disclosed included information that could enable an understanding of the issuer's past, current, and future mitigation efforts to ensure that its strategy and business model(s) are compatible with the transition to a sustainable economy. Transition plans should also typically include emission reduction targets. For an overview of the outcome of enforcers' reviews on emission reduction targets, please refer to the previous sub-section.

149. While the EU requirements applicable to the reporting period 2022 did not explicitly single out the transition plan disclosures, the lack thereof may be an indication of greenwashing risk and therefore a possible threat to investor protection. This is particularly the case when, for example, the non-financial statements vaguely indicated certain ambitions to become "climate-neutral" or "net-zero" or similar wording, without supporting this statement with disclosures that indicate specific actions to pursue this ambition or without explaining the means put in place to achieve those objectives, most notably by distinguishing between emission reductions and the use of other means such as carbon credits or GHG removals and the related credibility and integrity of these.

150. Some plans were also published with a number of omissions of some of the key elements of a transition plan, such as the description of the actions and the timeline for their implementation, the indication of the progress made on implementing those actions and meeting pre-set targets, the resources necessary to pursue the plan as well as the challenges and uncertainties surrounding the plan.

151. It shall also be noted that in several instances where the transition plans were deemed insufficient by European enforcers, it emerged in bilateral discussions with the issuers that more specific elements of the plans were available. This fact suggests that disclosures could be further complemented in future non-financial statements.

152. In some cases, while disclosing certain information which combined could provide the basic elements of a transition plan (e.g., targets, timeline, actions, resources, risks and uncertainties, progress monitoring, etc.), issuers did not present this information in a systematic way. This suggested that additional efforts are needed in the disclosures to make it easier for users of the non-financial statements to have a complete picture of the transition efforts and plans of the issuer.

153. The following table provides a breakdown with respect to the disclosures made by issuers in relation to their transition plan:

Figure 25: Disclosures on transition plans

The transition plan included an explicit claim that the plan is aligned with the 1.5-degree target...	
Yes, for 32 issuers (74%). **Five other issuers (12%)** claimed that the plan is aligned with other targets or that the plan is in progress to be aligned with the 1.5-degree target within a certain timeframe.	**Six issuers (14%)** did not provide an explicit claim.

The transition plan includes sufficiently detailed GHG emission reduction targets...	
Yes, for 41 issuers (95%)	**No, for 2 issuers (5%)**

Disclosures provided sufficiently specific information to enable users to assess the climate-related targets, beyond GHG emissions reduction targets...	
Yes, for 22 issuers (51%), with other targets related to items such as efforts to preserve and restore natural capital and eliminate waste.	**For 17 issuers (40%),** the information is either not sufficiently specific or not provided. **For four issuers (9%),** enforcers could not determine if the information provided is sufficient due to the examinations being existence-only.

Disclosures provided information about the progress made in achieving the pre-defined climate targets (non-GHG reduction targets), including any foreseeable challenges in meeting the target...	
Yes, for 33 issuers (77%).	**10 issuers (23%)** did not provide such information.

Disclosures provided clear and timed actions to achieve pre-defined targets...	
Yes, for 30 issuers (70%), timed actions are clearly defined, including structuring actions into phases.	**For 11 issuers (26%)**, the actions are only described in very general terms. For the other **two issuers (5%)**, this aspect was not applicable.

Disclosures provided information about the resources necessary to fulfil the plan...	
Yes, for 15 issuers (35%), resources are clearly explained.	For **13 issuers (30%)**, information on resources are provided in very general terms. **15 issuers (35%)** did not disclose resources.

Disclosures provided information about the reference scenario that is used, for example a scenario aligned with the Paris agreement...	
Yes, for 18 issuers (42%). An additional 15 issuers (35%) also disclosed the reference scenario and indicated that it is aligned with the Paris Agreement	**10 issuers (23%)** did not disclose the reference scenario.

Carbon and/or climate neutrality or net zero targets

154. Climate transition plans may include net-zero targets or carbon or climate neutrality objectives. These terms are defined in the ESRS. Typically, net-zero targets entail emission reductions consistent with the 1.5°C average temperature increase pathways (i.e., a 90%-95% reduction from the reference year), with potential deviations depending on the sectors. The residual emissions will then have to be neutralised, for instance through carbon removals in own operations or value chain. Neutrality objectives or claims, on the other hand, generally also include emission reduction objectives (but not always as stringent as net-zero targets) and may rely on carbon removals in own operations and value chain, but also on the use of carbon credits outside the company's value chain.

155. Among the 46 issuers (59%) that disclosed carbon and/or climate neutrality or net zero targets, the following table provides a breakdown with respect to the disclosures made by issuers:

Figure 26: Disclosures on carbon/climate neutrality or net zero targets

Disclosures of measures taken and/or planned to achieve or contribute to carbon/climate neutrality targets and/or net zero targets	Separate indication of the base year to determine GHG emission reductions and explanation of the contribution of GHG emission reductions vis-à-vis the use of other means	Disclosures on the credibility and integrity of the carbon credits used and/or on how the residual GHG emissions are intended to be neutralised by GHG removals
34 issuers (74%) provided information on measures taken and/or planned to achieve or contribute to carbon neutrality targets and/or net zero targets, while **nine issuers (20%)** provided information about such actions in very general terms.	**20 issuers (43%)** provided information on both base year and explanations of contribution of GHG reduction vs. other means, while **21 issuers (46%)** provided information only about one such dimension.	**16 issuers (35%)** provided information on the credibility of the carbon credits and/or GHG removals as applicable.
Three issuers (6%) did not disclose information about such actions.	**Five issuers (11%)** did not disclose information about base year nor explanation of contribution of GHG reduction vs other means.	**20 issuers (65%)** did not provide such information even when credits/removals were explicitly mentioned in the disclosures (7 issuers). **10 issuers (22%)** did not disclose neither carbon credits nor emission removals.

Other considerations

156. The 2022 ECEP called for consideration to Russia's invasion of Ukraine and the potential impact it may have on issuers' ability to meet their pre-defined targets, particularly when related to GHG emissions and transition plans. To this end, ESMA called for transparency about whether issuers' transition plans have been affected, and if so, provide reasons why issuers were unable to meet their targets and pursue their transition plans in 2022.

157. Eight issuers (10%) provided information about the impacts of Russia's invasion of Ukraine on meeting pre-defined climate-related targets, citing, among other factors, that changes in the supply chain and sources used to generate energy posed differing levels of difficulty for some markets and technologies in reducing their emissions. Conversely, seven issuers (9%) indicated

that there are no impacts derived from Russia's invasion of Ukraine on meeting pre-defined climate-related targets.

158. Additionally, the 2022 ECEP also called for attention to enhancing descriptions of how issuers have identified material impacts, risks and opportunities connected with climate change. In the sample of issuers selected by enforcers, 53 issuers (68%) provided such information (including aspects such as materiality re-assessments considering legislative and market changes, gap analysis, involvement of external consultancy, etc.), while an additional 14 issuers (18%) only provided partial information.

4.3.2 Reporting scope and data quality

Analysis of information provided

Key Findings: Diversity in practice on the scoping criteria and diverse level of granularity in the information disclosed

- The large majority of the issuers in the sample (68%) provided disclosures on the scope of the reporting.
- The information provided showed a diverse picture whereas some issuers adopt a reporting scope in line with financial reporting while others adopt a different basis. Generally, the disclosures do not allow for comparability as the scope exclusions are based on diverging criteria and rationales.
- Around 40% of the issuers in the sample provided information on the processes put in place to prepare the non-financial statements and ensure the quality of the underlying data.
- The few companies providing this information did so with a varying level of granularity with some examples of clear and detailed explanations of the processes in place for each relevant sustainability area and the related organisational responsibility.

Enforcement actions

159. Enforcers took six enforcement actions in relation to the disclosures regarding reporting scope and data quality, or lack thereof, in the 2022 non-financial statements by requiring a correction in the future non-financial statement. The corrections relate to, among others, including and improving disclosures around the scope of each indicator if not in the consolidated perimeter, and detailed information on data collection processes and procedures and data quality.

160. Ten examinations were still ongoing as of 31 December 2023.

Reporting scope

161. 58 issuers (68%) in the sample selected by enforcers disclosed information about the reporting scope covered in their non-financial statements. Among these issuers, 29 issuers (50%) provided information on whether there is any difference between the scope used for financial reporting and non-financial reporting (in some instances, including information about differences in a specific section outlining the consolidation of the sustainability statements).

162. European enforcers found diversity in the approaches taken, with some issuers providing more detailed disclosures generally in application of GRI requirements, and other issuers providing a very short reference to the consistency of the reporting scope with that of financial reporting. Other issuers indicated the use of the 'operational control' basis for determining the reporting scope. Lack of clarity generally remained on the treatment of joint operations and joint ventures with respect to the depiction of the sustainability-related impacts and risks.

163. When the issuers describe differences between the scope of reporting of financial statements and non-financial statements, significant diversity exists as to the approaches taken to determine the scope exclusions for the purpose of environmental and social reporting. For example, some issuers set the cut-off criterion to determine the subsidiaries excluded from the scope of the non-financial statement in terms of percentage of ownership (e.g. less than 50% of the voting rights), while in other cases the scope of the non-financial statement exclude certain subsidiaries whose activities are deemed to be immaterial from the perspective of a certain environmental, social or governance (ESG) dimension, for example in terms of the number of employees.

164. Other reporting scope choices are based on a generic reference to the ability to retrieve the necessary datapoints, with the result that in some cases the reporting scope is limited to certain geographical areas, typically the jurisdiction in which the issuer is established, with no or limited information on the other jurisdictions where the issuer operates.

165. Additionally, 17 issuers (29%) provided clear information for all sustainability topics covered in the non-financial statement on the extent to which entities in the value chain were included in the reporting scope, while 20 (34%) provided only partial or boilerplate disclosures to this effect. Among these 37 issuers:

a) Eight issuers (22%) provided disclosures in relation to the extent to which Russia's invasion of Ukraine has disrupted the issuer's value chains, while three (8%) provided only boilerplate disclosures of this nature. The other issuers either did not provide any such disclosure, or this was not applicable.

b) 18 issuers (49%) provided information on the extent to which their materiality assessment process was impacted by impacts, risks and opportunities arising from the value chain, while four issuers (11%) provided only boilerplate information. The other issuers either did not provide any such disclosure, or this was not applicable.

Data quality

166. For 34 issuers (40%), there was sufficient information disclosed about the due diligence processes applied by their management, administrative and supervisory bodies in relation to measures put in place to preserve/improve data quality in relation to non-financial information, while for 25 issuers (29%), this information was generally boilerplate. When sufficient information was provided, this was generally through the disclosure of the data collection processes and related organisational responsibility by sustainability area.

167. Finally, for 27 issuers (32%), information about the data collection process put in place for non-financial reporting was disclosed in sufficient detail, while an additional 24 issuers (28%) provided only boilerplate information. For the remaining issuers, no such disclosures were made.

4.3.3 Disclosures relating to Article 8 of the Taxonomy Regulation

Fact finding exercise

168. Financial year 2022 was the first year of reporting of alignment information regarding the climate mitigation and adaptation objectives for the non-financial undertakings in scope. To provide timely feedback to the market, ESMA and enforcers carried out a fact-finding exercise on the reporting under the Disclosures Delegated Act, whose results were published in October 2023. The study covered 54 non-financial issuers mainly active in four sectors covered by the Taxonomy Climate Delegated Act[64]. 14 additional issuers were also considered by enforcers in relation to this priority.

Key Findings: Significant progress is still needed on the use of the mandatory reporting templates and the accompanying qualitative disclosures

- Although most issuers in the sample for the fact-finding disclosed their alignment use KPIs, progress is needed on the Taxonomy Article 8 related disclosures (adequate use of the reporting templates, mandatory accompanying qualitative disclosures and other areas of incorrect application).
- Almost all assessed issuers disclosed the required Taxonomy alignment Key Performance Indicators (KPIs) on turnover, CapEx and OpEx and most used the mandatory reporting templates but for 30% of the sample, these templates were either modified or not fully completed, which may impact comparability and make access to the data more difficult for users.
- For more than 40% of the issuers, at least some of the mandatory qualitative information regarding the issuers' assessment of their compliance with transparency requirements in relation to the nature of their activities, the substantial contribution criteria, the Do No Significant Harm criteria, and the minimum safeguards was missing or insufficient.
- Other areas of incorrect application were spotted in relation to the use of the materiality exemption for the OpEx KPI, or expected information when claiming one, as well as in relation to the transparency on the avoidance of double counting, the screening of activities against one climate objective only or the reconciliation with financial reporting.
- Good reporting practices were encountered, such as detailed explanations on the nature of activities or compliance tests, and links to the corporate sustainability strategy.
- 30% of the issuers assessed for qualitative information provided voluntary disclosures. They were mostly comparatives, ratios based on the KPIs or alignment KPIs on specific perimeters.

169. Based on these findings, ESMA reminded issuers of the importance of providing all quantitative as well as detailed qualitative information as required by the Disclosures Delegated Act, so as to enable users of the non-financial statement, including financial institutions, to fully understand to which activities the quantitative information relates, how the different criteria were assessed, and to get the issuer's comments on its eligibility and alignment, where relevant.

---

[64] Commission Delegated Regulation EU 2021/2139

Enforcement actions

170. Enforcers took nine enforcement actions in relation to issuers' disclosures relating to Article 8 of the Taxonomy Regulation, or the lack thereof, in 2022 non-financial statements, all by requiring a correction in the future non-financial statement. The corrections in the future non-financial statements relate, among other topics, to inconsistencies or errors in CapEx and in OpEx alignment KPI calculations, not correctly providing quantitative information in the mandatory template, and a lack of information on relevant methodologies. Some enforcers, instead of taking enforcement actions, issued recommendations to issuers or carried out reviews assessing the application of the Taxonomy Regulation across issuers, with findings released to market participants as part of educational efforts.

171. Ten examinations were still ongoing as of 31 December 2023.

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

4.4.1 Observership at EFRAG and Opinion on ESRS

172. In 2023, ESMA was an observer on the EFRAG Sustainability Reporting Technical Expert Group and Board. The newly established sustainability reporting pillar in EFRAG is tasked with preparing the 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, alignment with other EU legislation and interoperability with international standard-setting.

173. The CSRD requires the European Commission to request ESMA and other European public bodies to deliver an opinion on the draft ESRS prepared by EFRAG prior to adopting them into delegated acts. In the course of 2022, ESMA developed an ad-hoc assessment framework based on which it developed its opinion[65] on the first set of draft ESRS. ESMA submitted its opinion to the Commission on 26 January 2023.

4.4.2 International cooperation

174. ESMA engaged in discussions on non-financial reporting and its supervision and enforcement with various relevant non-EU bodies during 2023. These discussions included dialogue with the International Sustainability Standards Board (ISSB), the GRI, the United States Securities and Exchange Commission (US SEC) and participation in the Technical Experts Group of the International Organization of Securities Commissions (IOSCO)'s Sustainable Finance Task Force. ESMA also commented on two consultations of the ISSB regarding its agenda consultation and the enhancement of the international applicability of the SASB standards[66]. In November ESMA also commented[67] on the International Auditing and Assurance Standards Board's (IAASB) proposed standard on Sustainability Assurance (ISSA 5000).

[65] ESMA32-334-589, Opinion on the technical advice by the European Financial Reporting Advisory Group on European Sustainability Reporting Standards (Set 1), 26 January 2023. The assessment framework is included in the opinion as Annex 2.
[66] ESMA32-992851010-1018 ESMA's comment letter on ISSB's consultation on Agenda Priorities (August 2023) ; ESMA32-992851010-1019 ESMA's comment letter on ISSB's consultation to enhance the international applicability of the SASB standards (August 2023).
[67] ESMA32-389550249-174 – ESMA response to the IAASB's Exposure Draft *Proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements*.

5 Enforcement of ESEF reporting

5.1 How ESEF reporting is enforced

5.1.1 Legislative context

175. The Transparency Directive mandated ESMA to develop regulatory technical standards (RTS) on the European Single Electronic Format (ESEF)[68]. The RTS on ESEF requires all issuers subject to the requirements contained in the Transparency Directive to make public their annual financial reports (AFRs) in the Extensible Hypertext Markup Language (XHTML) format. Where issuers prepare IFRS consolidated financial statements, they shall mark up these IFRS consolidated financial statements using the XBRL markup language. The markups are embedded in the XHTML document version of the AFR using the Inline XBRL (iXBRL) format.

176. The ESEF requirements (XHTML and XBRL) started to apply to financial years beginning on or after 1 January 2020[69] for primary financial statements where all numbers in a declared currency need to be marked up (detailed tagging) and on or after 1 January 2022 for applying markups to larger pieces of information (block tagging) of the notes to the financial statements.

5.1.2 Coordination activities on ESEF

177. The ESEF Project Team (ESEF PT), under the Issuers Standing Committee (ISC), coordinates supervisory convergence of the enforcement related to the correct application of the RTS on ESEF. In the ESEF PT, enforcers exchange views regarding the correct application of the RTS on ESEF and share practices regarding methods for supervising the correct application of ESEF. The ESEF PT prepares updates of the RTS on ESEF on a yearly basis, if relevant, and develops the ESEF Reporting Manual[70], which contains further guidance for issuers and software vendors to facilitate the correct application of the requirements arising from the RTS on ESEF.

5.2 Main indicators of national enforcement activity

178. To monitor enforcement activity, ESMA collects data on the number of examinations performed and the number of actions taken by enforcers. The statistics presented in this section are based on the number of listed issuers at the end of 2022, which prepared AFRs in the scope of ESEF:

- IFRS consolidated financial statements in the ESEF format (iXBRL markups on a mandatory basis);
- non-consolidated IFRS financial statements in the ESEF format (iXBRL markups on a voluntary basis), or
- financial statements in XHTML format without iXBRL markups (non-consolidated IFRS financial statements without voluntary iXBRL markups and statements in local GAAP).

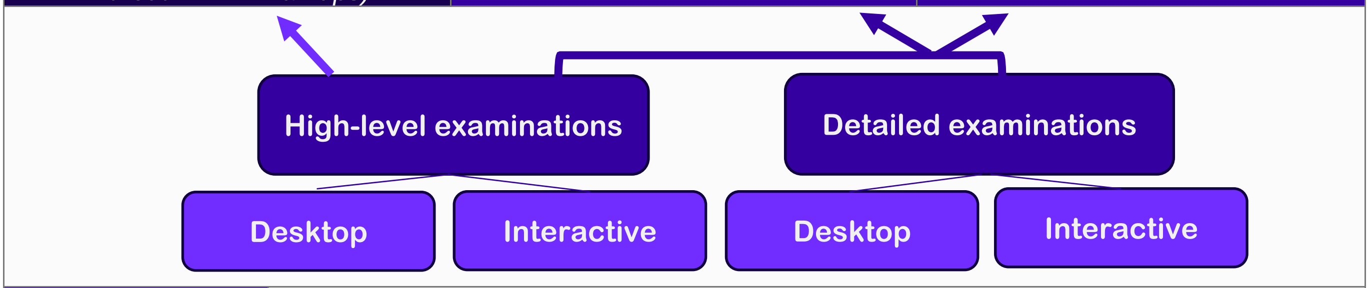
---

[68] Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council regarding regulatory technical standards on the specification of a single electronic reporting format.
[69] Following an amendment to the Transparency Directive, issuers in most Member States were allowed to delay the application of the ESEF requirements by one year.
[70] ESMA32-60-254 Rev, *ESEF Reporting Manual - Preparation of Annual Financial Reports in ESEF format (Update August 2023)*. 31 August 2023.

179. For the purposes of this report, enforcement activities are considered to involve human intervention and as such do not focus on automatic checks performed on an ESEF AFR submission by enforcers. The following table summarises the examination types applicable to AFRs in the scope of ESEF, based on whether they include markups or not, and distinguishing between i) high-level[71] and detailed[72] examinations, and ii) the desktop and interactive nature of examinations.

Table 12: Scope and types of examinations performed for the enforcement of ESEF reporting during 2023

Non-consolidated IFRS financial statements and statements in local GAAP	IFRS consolidated financial statements in ESEF format	Non-consolidated IFRS financial statements in ESEF format
(XHTML format without iXBRL markups)	*(with mandatory iXBRL markups)*	*(with voluntary iXBRL markups)*



High-level examinations	*Compliance with the RTS on ESEF provisions commonly applicable to all issuers. These are mostly related to basic IT requirements such as verifying that the submitted file extension meets the expected format (i.e., XHMTL or zip file) or the content of the XHTML file.*
Detailed examinations	*Deeper dive into the compliance with the RTS on ESEF provisions related to compliance with detailed technical and software requirements, such as validations against iXBRL specifications or compliance with ESMA's Conformance Suite. Detailed examinations also cover accounting requirements stemming from the RTS on ESEF, and taking into account implementing guidance, such as, among others, the assessment on the completeness and correctness of tagging of the IFRS consolidated financial statements and of the notes to the IFRS consolidated financial statements.*
Desktop	*No interaction between the enforcer and the issuer. Includes checks such as, but not limited to, following-up or reviewing on validation errors or warnings from an automatic examination report, performing additional checks or assessing documentation.*
Interactive	*In addition to what may be performed in a desktop examination, also includes interaction between the enforcer and the issuer (such as asking questions and/or requiring documents from the issuer).*

180. The box below, together with the following sections breaking down enforcement activities by the different examination types outlined above, provides some overarching key findings and messages related to the enforcement activities performed by enforcers in 2023 for 2022 AFRs.

[71] The 2022 version of the present report referred to these examinations as "TD high-level requirements" examinations.
[72] The 2022 version of the present report referred to these examinations as "ESEF RTS granular requirements" examinations.

General Key Findings & Messages

- Issuers and preparers are reminded not to misrepresent an AFR prepared in a format that is not ESEF (i.e., a PDF version) as the "official ESEF version" of the AFR. AFRs prepared in the ESEF format are the only "official ESEF version" of the AFRs to discharge the TD obligations, are considered "regulated information" and are to be filed with the Officially Appointed Mechanisms (OAMs), as well as disseminated publicly, such as via the issuer's website. Issuers and preparers are reminded that any other version of the AFR (not prepared in line with the RTS on ESEF), should include a disclaimer stating that the version is not the official AFR. ESMA recommends that the disclaimer also clearly states that the ESEF version of the AFR prevails in case of any conflicts.
- In 2023, enforcers identified discrepancies amongst some issuers between the official ESEF version of the AFR and the AFR published in PDF. Such discrepancies must be avoided and ESMA and enforcers expect that issuers have procedures in place to prevent this.
- Issuers and preparers are reminded that the presentation of the AFRs in the ESEF format must be done within the deadline (at the latest four months after the end of the financial year) and that the publication of other formats before the ESEF format should be duly justified.
- On the correctness of tagging of the primary financial statements, issuers and preparers are reminded to ensure that the selected taxonomy element reflects the closest possible accounting meaning of the tagged disclosure.
- If the closest core taxonomy element for the tagging of the primary financial statements misrepresents the accounting meaning of a marked-up disclosure, the issuer should create an extension taxonomy element that is anchored to the closest wider element. Issuers should not create extension taxonomy elements when a taxonomy element with the same or very close accounting meaning already exists.
- With respect to the readability of the information extracted from a block tag[73], particularly with respect to information in a tabular format, ESMA and enforcers continue to call for improvements by issuers in ensuring that the content of the information extracted and rendered in the tag can be meaningfully transcribed to resemble the original document in legibility and clarity.

5.2.1 High-level examinations

181. Table 13 presents aggregated information on the number of issuers whose financial information was subject to high-level examinations with human intervention by enforcers over 2023. High-level examinations cover all issuers with AFRs containing marked-up or non-marked-up financial statements. These examinations include checking whether the content of the file submission contains the entire AFR and whether the ESEF AFR is the only AFR discharging the obligations of the Transparency Directive.

[73] ESEF requirements to mark up the notes of the IFRS consolidated financial statements are applicable to financial years beginning on or after 1 January 2022. 2023 was the first year of enforcement activity across EU jurisdictions in this respect.

182. In 2023, enforcers performed high-level examinations of the financial statements for 3,277 issuers (approximately 76% of all applicable[74] issuers).

Table 13: Number of high-level examinations during 2023

Number of issuers examined	High-level examinations of requirements applicable to all issuers	
	Desktop	*Interactive*
EEA issuers with non-consolidated IFRS financial statements in XHTML format [75](no iXBRL markups)	736	50
Third country issuers with non-consolidated IFRS financial statements in XHTML format (no iXBRL markups)	49	11
Total 2023 for XHTML format AFRs, without markups	**785**	**61**
EEA issuers with AFRs containing consolidated IFRS financial statements	2,230	98
Third country issuers with AFRs containing consolidated IFRS financial statements	49	8
Issuers with non-consolidated IFRS financial statements with iXBRL markups on a voluntary basis	46	0
Total 2023 for iXBRL format AFRs, with markups	**2,325**	**106**
Total 2023	**3,110**	**167**
	3,277	

183. As further detailed in Table 14, the 3,277 high-level examinations performed during 2023 led to 221 actions (a 7% action rate). Most of these actions required the issuer to resubmit or re-disseminate the ESEF AFR. Other measures refer to informal requests from enforcers to issuers for improvements in future AFRs on aspects that were not identified during an examination as infringements. In 2023, enforcers took 191 such other measures, which were related to reminding issuers to comply with all ESEF requirements relating to format and content and to improve the disclaimers in the PDF version of the AFR published on the issuer's website to underline that this is not the version in compliance with the Transparency Directive.

Table 14: Enforcement measures taken based on high-level examinations during 2023

Number of enforcement measures for high-level examinations	Re-submission/ re-dissemination of the ESEF AFR	Require a correction in future ESEF AFR	Require a public corrective note	Total actions 2023	Other measures
Issuers with non-consolidated IFRS financial statements in XHTML format (without iXBRL markups)	34	19	0	**53**	*36*
EEA issuers with AFRs containing consolidated IFRS financial statements	139	26	0	**165**	*155*
Third country issuers with AFRs containing consolidated IFRS financial statements	3	0	0	**3**	*0*
Issuers preparing non-consolidated IFRS financial statements with iXBRL markups on a voluntary basis	0	0	0	**0**	*0*
Total 2023	**176**	**45**	**0**	**221**	***191***

Note: Table includes one action respectively one measure per issuer (meaning that multiple actions respectively multiple measures are not possible for the same issuer)

[74] The population includes all EEA issuers preparing AFRs containing IFRS consolidated financial statements, third-country issuers preparing AFRs containing IFRS consolidated financial statements, issuers preparing IFRS non-consolidated financial statements with voluntary XBRL markups and issuers preparing AFRs in xHTML format, which include all issuers preparing IFRS non-consolidated financial statements without XBRL markups and issuers preparing financial statements in local GAAP. The total population as at year-end 2022 is 4,303.
[75] Financial statements prepared in local GAAP that are marked-up with a local taxonomy are also included in this count.

184. The following figures illustrate specific errors with respect to compliance with high-level requirements on which actions were taken during 2023. Percentages are calculated in relation to the total number of actions taken in relation to each error, meaning that more than one action can be depicted per issuer.

Figure 27: Main non-compliance areas 2023 high-level examinations for issuers submitting financial reports in XHTML format (without iXBRL markups)

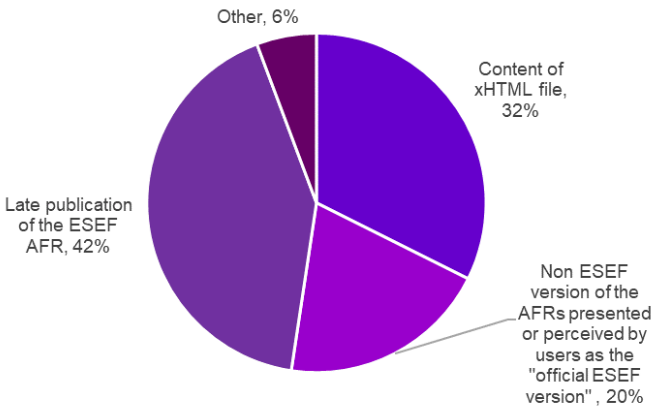
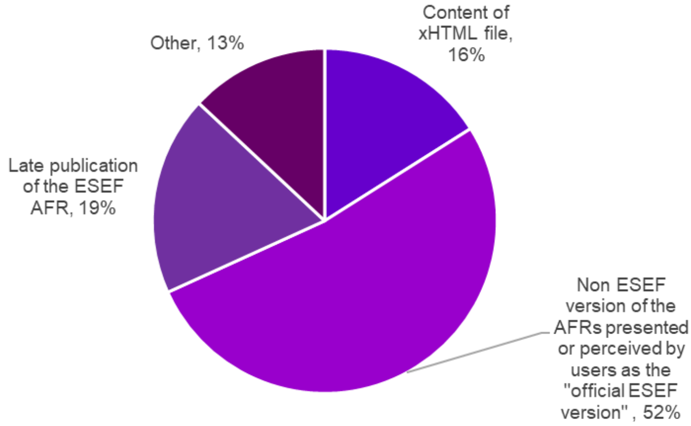


Figure 28: Main non-compliance areas 2023 high-level examinations for issuers submitting financial reports in iXBRL format (with iXBRL markups)



5.2.2 Detailed examinations

185. Table 15 presents aggregated information on the number of issuers whose financial information was subject to detailed examinations with human intervention by enforcers over 2023. Detailed examinations cover all issuers with AFRs containing marked-up financial statements. The table below breaks down these examinations, by nature:

a) Technical: assess compliance with more detailed technical requirements, including non-binary checks of technical validations.

b) Primary financial statements: assess compliance with accounting requirements, such as the assessment on the completeness and correctness of tagging of the IFRS consolidated primary financial statements.

c) Notes to the primary financial statements: assess compliance with accounting requirements, such as the assessment on the completeness and correctness of tagging of the notes to the consolidated IFRS financial statements or the readability of the information.

Note that the count of detailed examinations provided in Table 15 is not mutually exclusive between categories a), b) and c) outlined above. An issuer may have been selected to be examined for more than one type of examination.

186. During 2023, enforcers performed detailed examinations of the financial statements for 500 issuers for technical requirements, 534 issuers for accounting requirements on primary financial statements and for 449 issuers on accounting requirements for the notes to the financial statements (an average of 11% of all applicable issuers). An issuer may have been selected to be examined for more than one type of examination outlined in the table.

Table 15: Number of detailed examinations during 2023

Number of issuers examined	a) Technical examinations		b) Accounting examinations for primary financial statements		c) Accounting examinations for notes to the primary financial statements	
	Desktop	*Interactive*	*Desktop*	*Interactive*	*Desktop*	*Interactive*
EEA issuers preparing AFRs containing consolidated IFRS financial statements	360	84	360	123	349	62
Third country issuers preparing AFRs containing consolidated IFRS financial statements	15	3	7	0	2	0
Issuers preparing non-consolidated IFRS financial statements with iXBRL markups on a voluntary basis	38	0	44	0	36	0
Total 2023	**413**	**87**	**411**	**123**	**387**	**62**
	500		**534**		**449**	

Note: An issuer may have been selected to be examined for more than one type of examination outlined in the table.

187. As detailed further in Table 16, the examinations in 2023 of issuers' IFRS financial statements in relation to compliance with three sets of more granular detailed requirements led to actions taken in 136 instances, causing an average action rate of 9%. All actions apart from two taken were in reference to EEA AFRs containing consolidated IFRS financial statements, and most required the issuer to include a correction in the future AFR. Other measures related requested improvements in the human-readable version of the ESEF AFR.

Table 16: Enforcement measures taken based on detailed examinations during 2023

Number of enforcement measures for detailed examinations	a) Technical examinations	b) Accounting examinations for primary financial statements	c) Accounting examinations for notes to the primary financial statements
Re-submission/re-dissemination of the ESEF AFR	19	4	0
Require a correction in future ESEF AFR	15	64	34
Require a public corrective note	0	0	0
Total 2023	**34**	**68**	**34**
		136	
Other measures	*0*	*8*	*0*
Action rate by examination type (average action rate across examination types)	**7%**	**13%**	**8%**
		9%	

Note: Table includes one entry per issue (meaning that multiple actions are possible for the same issuer)

188. The following figures illustrate specific errors with respect to compliance with detailed requirements, on which enforcement actions were taken during 2023. Percentages are calculated in relation to the total number of actions taken in relation to each error, meaning that more than one action can be depicted per issuer.

Figure 29: Main non-compliance areas
2023 detailed technical examinations

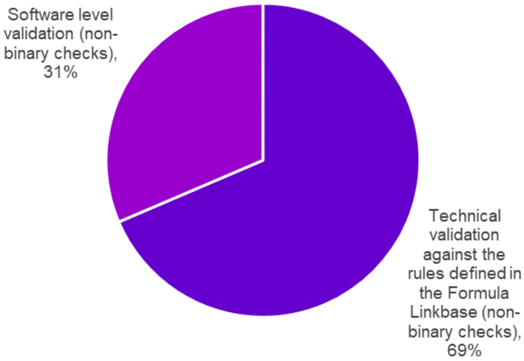


Figure 30: Main non-compliance areas
2023 detailed accounting examinations
(primary financial statements)

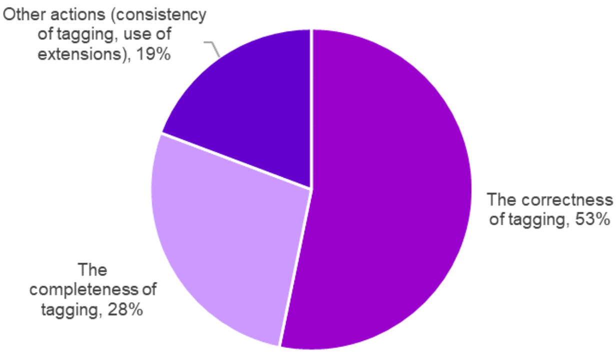
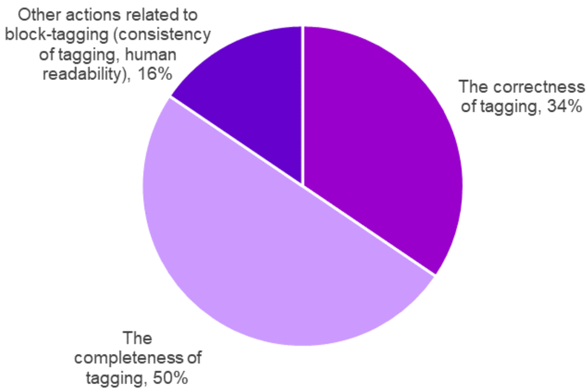


Figure 31: Main non-compliance areas
2023 detailed accounting examinations
(notes to the primary financial statements)



5.3 ESMA's other activities related to ESEF reporting

189. In May 2023, ESMA announced its decision to postpone to 2024 the annual amendment of the ESEF RTS reflecting the 2023 IFRS Taxonomy, in part due to the limited changes in the 2023 update to the IFRS Taxonomy[76]. In December 2023, ESMA published a limited update to the 2022 version of the XBRL taxonomy files to be used for ESEF[77] with minor corrections aimed at improving usability.

190. In August 2023, ESMA updated the ESEF Reporting Manual aimed at all market participants involved in the implementation of the requirements set out in the ESEF Regulation. The Reporting Manual is intended to provide guidance on issues commonly encountered when creating ESEF documents and to promote a harmonised and consistent approach for the preparation of the AFRs in compliance with the ESEF Regulation.

191. ESMA also updated, in December 2023, the Conformance Suite test files[78] to facilitate implementation of the updated version of the ESEF Reporting Manual into software products used

---

[76] Press release, ESMA postpones to 2024 the annual IFRS amendment of the ESEF, 10 May 2023.
[77] 2022 ESEF XBRL taxonomy files, ESEF Taxonomy 2022, 7 December 2023.
[78] 2023 ESEF Conformance Suite, ESEF Conformance Suite, 7 December 2023.

by preparers. The ESEF Conformance Suite is aimed primarily at a technical audience (i.e., XBRL software developers), 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.

192. The ESEF Regulation, as well as the ESEF XBRL Taxonomy files and the ESEF Conformance Suite, are updated according to the evolution of IFRS and the IFRS Taxonomy.

193. Finally, considering the CSRD requirement to provide the management report in the electronic format specified in Article 3 of the RTS on ESEF (i.e., XHTML) and the sustainability report, including Article 8 of the Taxonomy Regulation disclosures, to be marked up in accordance with the ESEF (i.e., iXBRL). ESMA continues to closely monitor the development of the sustainability taxonomy by EFRAG with the aim to amend the RTS on ESEF and incorporate the new sustainability taxonomy and related electronic reporting requirements.

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	BaFin
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[79] Irish Auditing and Accounting Supervisory Authority	CBI IAASA
Italy	Companies and Securities National Commission	Consob
Latvia	Central Bank of Latvia	CBL
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

[79] 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.

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*					
	2022	*2023*	*2022*	*2023*	*2022*	*2023*	***2022***	***2023***
Austria	*56*	57	*22*	20	*0*	0	*78*	77
Belgium	*104*	99	*2*	2	*2*	3	*108*	104
Bulgaria	*109*	109	*18*	17	*156*	157	*283*	283
Croatia	*63*	59	*5*	5	*27*	26	*95*	90
Cyprus	*50*	49	*0*	0	*13*	13	*63*	62
Czechia	*16*	17	*8*	8	*51*	49	*75*	74
Denmark	*108*	105	*14*	14	*14*	15	*136*	134
Estonia	*20**	20	*4**	4	*7*	7	*31*	31
Finland	*130*	132	*25*	26	*0*	0	*155*	158
France**	*351*	327	*22**	20	*9*	6	*382*	353
Germany	*364*	354	*29*	29	*6*	10	*399*	393
Greece	*117*	107	*5*	3	*28*	30	*150*	140
Hungary	*32*	35	*3*	4	*15**	15	*50*	54
Iceland	*20*	24	*7**	7	*16*	18	*43*	49
Ireland	*23*	21	*5*	6	*56*	54	*84*	81
Italy	*201*	203	*4*	4	*11*	10	*216*	217
Latvia	*5*	4	*7*	6	*2*	3	*14*	13
Lithuania	*21*	20	*4*	4	*5*	5	*30*	29
Luxembourg	*48*	44	*21*	19	*40*	41	*109*	104
Malta	*27*	30	*23*	26	*30*	35	*80*	91
Netherlands	*126*	122	*9*	8	*35*	27	*170*	157
Norway	*194*	192	*60*	56	*30*	30	*284*	278
Poland	*299*	295	*2*	2	*52*	57	*353*	354
Portugal	*34**	34	*8**	7	*4**	4	*46*	45
Romania	*42*	42	*8*	8	*41*	43	*91*	93
Slovak Republic	*10*	9	*7*	7	*7*	7	*24*	23
Slovenia	*22*	21	*1*	1	*2*	3	*25*	25
Spain	*123*	119	*5*	5	*7**	7	*135*	131
Sweden	*357*	359	*30*	25	*0*	0	*387*	384
TOTAL	***3,072***	**3,009**	***358***	**343**	***666***	**675**	***4,096***	**4,027**

** The figure differs from the corresponding figure in the 2022 report as it has been updated by the respective NCA post-publication.*

*** The total number of issuers for France decreased between 2022 and 2023 due to de-listings and transfers to Euronext Growth.*

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 2023 by enforcers based on the Guidelines on Enforcement of Financial Information (GLEFI). Please note that this data only includes examinations of IFRS financial statements that were concluded during 2023, whereas examinations of IFRS financial statements started in 2023 that were still ongoing at the end of 2023 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)[80].

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 based on 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 based on Guideline 4 of the Guidelines on Enforcement of Financial Information,
- Some enforcers apply the GLEFI on a voluntary basis for the examination of financial statements contained in IPO prospectuses.

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.

In 2022, the revised GLEFI entered into force and therefore four types of examinations ('desktop focused', 'desktop unlimited', 'interactive focused' or 'interactive limited') are now in use by enforcers. For this report, enforcers have classified their examinations in accordance with these definitions. However, the experience of ESMA's Peer Review on the application of certain of the Guidelines[81] has shown that those instruments were not applied in the same manner by all enforcers, thus the procedures in place may still not be fully comparable.

[80] Please note that most 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 considered for the purpose of this report.
[81] ESMA42-111-4138 Peer Review Report, 18 July 2017

Country	Total exami-nations	Disaggregation by type				Disaggregation by nature		
		Unlimited scope		Focused				
		Desktop	*Interactive*	*Desktop*	*Interactive*	*Ex-post*	*Financial information contained in prospectus*	*Pre-clearance*
Austria	**23**		21		2	22		1
Belgium	**17**		11	1	5	15	1	1
Bulgaria	**48**			48		48		
Croatia	**6**		6			4	2	
Cyprus	**11**		3	2	6	11		
Czechia	**8**	3	5			8		
Denmark	**11**	1	7		3	11		
Estonia	**5**	1	3	1		4	1	
Finland	**14**	4	6		4	11	3	
France	**89**	7	58	6	18	87	1	1
Germany	**45**		21	14	10	45		
Greece	**22**		18		4	19	3	
Hungary	**5**		2		3	5		
Iceland	**6**	6				6		
Ireland	**25**		11		14	25		
Italy	**54**	3	25	3	23	51	3	
Latvia	**8**	7	1			3	5	
Lithuania	**3**			2	1	3		
Luxembourg	**21**	2	14	1	4	21		
Malta	**5**				5	5		
Netherlands	**37**	10	19	1	7	37		
Norway	**31**	14	9	5	3	31		
Poland	**78**	6	46	3	23	69	9	
Portugal	**11**		3	6	2	11		
Romania	**14**		11		3	11	3	
Slovak Republic	**17**	17				17		
Slovenia	**2**		2			2		
Spain	**29**		13		16	29		
Sweden	**58**	2	52	1	3	58		
TOTAL	**703**	**83**	**367**	**94**	**159**	**669**	**31**	**3**

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 enforcers took action during 2023, 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 2023 (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, *inter alia* because the legal powers of individual enforcers to use specific actions differ based on national law. Furthermore, the Guidelines allow a certain degree of flexibility in application. Empty cells indicate either that the enforcer chose not to carry out such type of action taking into account facts and circumstances 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		1		**1**
Belgium		1	7	**8**
Bulgaria			12	**12**
Croatia			4	**4**
Cyprus			2	**2**
Czechia			5	**5**
Denmark		5	1	**6**
Estonia			1	**1**
Finland			3	**3**
France			64	**64**
Germany		8	7	**15**
Greece		3	2	**5**
Hungary			4	**4**
Iceland				
Ireland			12	**12**
Italy		3	4	**7**
Latvia			1	**1**
Lithuania				
Luxembourg			8	**8**
Malta		1	1	**2**
Netherlands			5	**5**
Norway		2	9	**11**
Poland	8		27	**35**
Portugal			1	**1**
Romania			2	**2**
Slovak Republic	6			**6**
Slovenia				
Spain	1	3	10	**14**
Sweden			16	**16**
TOTAL	**15**	**27**	**208**	**250**

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

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	
	2022	*2023*
Austria	61	64**
Belgium	53	53
Bulgaria	33	31
Croatia	41*	41**
Cyprus	13*	14
Czech Republic	9	9
Denmark[82]	195*	194
Estonia	9	10**
Finland	94*	98
France[83]	257*	233**
Germany	280	271**
Greece	46	40
Hungary[84]	-	-
Iceland	43*	49
Ireland[85]	-	-
Italy	169	165
Latvia	5	5
Lithuania	14	14
Luxembourg	37*	37
Malta	12	13
Netherlands	75	73
Norway	255	251
Poland	134	136
Portugal	36	35
Romania	35	38
Slovakia	24	23
Slovenia	12	12
Spain	103	98
Sweden	286	292
TOTAL	**2,331**	**2,299**

** The figure differs from the corresponding figure in the 2022 report as it has been updated by the respective NCA post-publication.*

*** Best-effort 2023 estimate.*

[82] The previously reported figure for Denmark referred to the number of issuers subject to NFRD requirements, while the corrected figure refers to the number of issuers based on the national transposition of the NFRD.
[83] The total number of issuers for France decreased between 2022 and 2023 due to de-listings and transfers to Euronext Growth.
[84] In Hungary, enforcers do not have powers relating to the non-financial statement.
[85] In Ireland, enforcers do not have powers relating to the non-financial statement.

Abbreviations and acronyms

AFR	Annual Financial Report
APM	Alternative Performance Measure
CGU	Cash Generating Unit
CO_2	Carbon Dioxide
CSRD	Corporate Sustainability Reporting Directive
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ECEP	European Common Enforcement Priorities
ECL	Expected Credit Loss
ED	Exposure Draft
EEA	European Economic Area
FRWG (EECS)	Financial Reporting Working Group - European Enforcers Coordination Sessions
EFRAG	European Financial Reporting Advisory Group
EFRAG TEG	European Financial Reporting Advisory Group Technical Expert Group
Enforcers	National Enforcers in the European Economic Area, used interchangeably with National Competent Authorities (NCAs) for the purposes of this report
ESEF	European Single Electronic Format
ESRS	European Sustainability Reporting Standards
ESG	Environmental, Social and Governance
ESMA	European Securities and Market Authority
EU	European Union
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse Gas
GLEFI	Guidelines on Enforcement of Financial Information
GLESI	Guidelines on the Enforcement of Sustainability Information
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ISC	Issuers Standing Committee
IFRS	International Financial Reporting Standards
IFRS IC	International Financial Reporting Standards Interpretations Committee
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
ISSB	International Sustainability Standards Board
Issuer	Legal entity whose securities are admitted to trading on EEA regulated markets
iXBRL	Inline eXtensible Business Reporting Language
KPI	Key Performance Indicator
NCA	National Competent Authority, used interchangeably with enforcers for the purposes of this report
NFI	Non-financial information
OAM	Officially Appointed Mechanisms
PIR	Post-implementation Review
Q&A	Questions and Answers
RfI	Request for Information
RTS	Regulatory Technical Standards
SRWG	Sustainability Reporting Working Group
TCFD	Task Force on Climate-related Financial Disclosures
US SEC	United States Securities and Exchange Commission
XHTML	Extensible HyperText Markup 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 Directive	Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC
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
Corporate Sustainability Reporting Directive (CSRD)	Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting
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)
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)