ESMA_QA_1885

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Additional Information

Level 1 Regulation
Transparency Directive (TD) Directive 2004/109/EC

Level 3 Regulation
Guidelines on Alternative Performance Measures

Topic
Alternative Performance Measures (APM)

Historic Question Reference
[ESMA32-51-370 APM Q19]

Subject Matter
Application of the APM Guidelines to measures related to ESG matters; Paragraphs 3, 4, 17, 21, 22, 26, 33, 35, 37 and 41 of the APM Guidelines.

Question

Do the APM Guidelines apply to financial measures related to ESG matters (e.g., green turnover, sustainable CAPEX)?

ESMA Answer

01-04-2022

Original language

[ESMA32-51-370 APM Q19]

According to paragraph 3 of the APM Guidelines, the Guidelines apply in relation to APMs disclosed by issuers or persons responsible for the prospectus when publishing regulated information and prospectuses (and supplements to prospectuses). Examples of regulated information are management reports disclosed to the market in accordance with the Transparency Directive and disclosures issued under the requirements of Article 17 of the Market Abuse Regulation, for example ad-hoc disclosures including financial earnings results.

Furthermore, paragraph 4 clarifies that the APM Guidelines do not apply to APMs disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures.

Paragraph 17 of the APM Guidelines defines an APM as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Based on the above principles included in the APM Guidelines, when financial measures using ESG labels (such as green turnover, sustainable CAPEX) are included in regulated information and prospectuses, those measures are covered by the APM Guidelines. The exception is if such measures are determined in accordance with, for example, the

Taxonomy Regulation or the SFDR. In this respect, ESMA highlights that, where applicable, issuers should apply the APM Guidelines to measures included in the EC Guidelines on non-financial reporting: Supplement on reporting climate-related information.[1]

Therefore, where issuers include financial measures using ESG labels in regulated information or in prospectuses, and those measures are not determined in accordance with applicable legislation, issuers should comply with the principles included in the APM guidelines with regards to:

- definitions (paragraph 20 and 21),
- labels (paragraphs 22 to 25),[2]
- reconciliations (paragraph 26 to 32),
- explanations (paragraphs 33 and 34),
- prominence (paragraphs 35 and 36),
- comparatives (paragraphs 37 to 40) and
- consistency (paragraphs 41 to 44).

Given the connection between the APMs related to ESG measures and disclosures required by the Taxonomy Regulation and the SFDR, in addition to the reconciliations required under paragraphs 26 to 32 of the APM Guidelines, where relevant, ESMA encourages issuers to provide reconciliations between APMs related to ESG measures and KPIs or measures required by the Taxonomy Regulation and the SFDR.

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[1] Communication from the Commission — Guidelines on non-financial reporting: Supplement on reporting climate-related information (europa.eu)

[2] Please refer to Question ESMA_QA_1886 (historic reference *ESMA32-51-370 APM Q20*)