

PRESS RELEASE

European accounting enforcers to enhance transparency on COVID-19 impact

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has issued its annual [Public Statement on European Common Enforcement Priorities](#) (Statement), which sets out the priorities that EEA corporate reporting enforcers will consider when examining listed companies' 2020 annual financial reports.

The 2020 enforcement priorities for financial statements prepared in accordance with International Financial Reporting Standards (IFRS), reflect the need to provide adequate transparency regarding the consequences of the COVID-19 pandemic, which are expected to affect several areas of the 2020 annual financial reports. The key areas are:

- the application of IAS 1 *Presentation of Financial Statements* with a focus on going concern, significant judgements and estimation uncertainty and the presentation of COVID-related items in the financial statements;
- the application of IAS 36 *Impairment of Assets*, where the recoverable amount of goodwill, intangible assets and tangible assets may be impacted by the deterioration of the economic outlook of various sectors;
- the application of IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, including general considerations relating to risks arising from financial instruments, focusing on liquidity risk, and specific considerations related to the application of IFRS 9 for credit institutions when measuring expected credit losses;
- specific issues related to the application of IFRS 16 *Leases*, including explicit disclosures by lessees which have applied the IASB's amendment providing relief to lessees when accounting for rent concessions.

These priorities promote the consistent application of the IFRS and other financial and non-financial reporting requirements.

Steven Maijoor, Chair, said:

“The COVID-19 pandemic has shown the severe impact that non-financial events may have on businesses and the economy. Therefore, transparency in the annual financial reports on the consequences stemming from the outbreak is essential to preserving market confidence.

“This year’s enforcement priorities reflect the need for timely disclosures on how the financial performance, position and cash flows of issuers may be affected by the pandemic. We also highlight the importance of adequate non-financial information disclosures, in particular on the social dimension, and stress the need for improvement in disclosures on climate change risks.”

Key non-financial information issues and Alternative Performance Measures (APMs)

For other parts of annual financial reports, the statement highlights the requirements to disclose non-financial information with regards to:

- impact of the COVID-19 pandemic on non-financial matters;
- social and employee matters – most notably in relation to the extensive use of remote working arrangements and compliance with health and safety rules;
- business model and value creation with emphasis on the need to provide disclosures on the impact of the pandemic on the business model and value creation;
- risks relating to climate change, taking into account physical and transition risks;
- considerations on the application of the ESMA Guidelines on APM in relation to COVID-19.

Other issues

ESMA expects issuers to consider its COVID-19 related [recommendations from March](#) on the implications for the calculation of expected credit losses, and its [May Statement](#) on half-yearly financial reports.



The Statement underlines issuers' management and supervisory bodies responsibility and the importance of the oversight role of audit committees in ensuring the overall internal consistency and high quality of the annual financial reports in the current environment.

Finally, ESMA highlights that it is important to closely monitor Brexit negotiations and to provide disclosures on the impact this will have on issuers' activities and their financial and non-financial information.

Next steps

ESMA and European national enforcers will monitor and supervise the application of the IFRS requirements as well as any other relevant provisions outlined in the Statement, with national authorities incorporating them into their reviews and taking corrective actions where appropriate. By ensuring that issuers are transparent about the impact COVID-19 on their business, ESMA aims to assist issuers, while promoting investor protection and contributing to financial stability.

ESMA will collect data on how European listed entities have applied the priorities and ESMA will report on findings regarding these priorities in its Report on the 2021 enforcement activities.

Notes for editors

1. [Public Statement on Actions to mitigate the impact of COVID-19 on the EU financial markets – Coordination of supervisory action on accounting for lease modifications](#)
2. [Public Statement on the Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9](#)
3. [Public Statement on the Implications of the COVID-19 outbreak on the half-yearly financial reports](#)
4. [Report on Enforcement and regulatory activities of European enforcers in 2019](#)
5. [Guidelines on the enforcement of financial information](#)
6. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising specific financial entities.
7. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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