13 October 2026
ESMA32-2064178921-9738

STATEMENT

European common enforcement priorities for 2026 corporate reporting

OBJECTIVE

The European Securities and Markets Authority (ESMA) issues its annual Public Statement setting out the European common enforcement priorities (ECEP) for the 2026 annual financial reports[1] of issuers admitted to trading on European Economic Area (EEA) regulated markets.

ESMA, together with national enforcers in the EEA (enforcers), will pay particular attention to these areas when examining the application of the relevant reporting requirements. In addition, enforcers will continue to focus on other entity-specific issues. Based on the examinations performed, enforcers will take enforcement actions whenever material misstatements are identified and ESMA will subsequently report on their findings. In addition to these European priorities, enforcers may also set national priorities.

ESMA underlines the issuers management and supervisory bodies' responsibility as well as the importance of the oversight role of audit committees to:

- ensure the overall internal consistency of the annual financial report,
- implement and supervise internal controls, and
- ultimately contribute to high-quality annual financial reports.

ESMA urges issuers, auditors and supervisory bodies to consider the topics and detailed recommendations included in this Public Statement when preparing, auditing and supervising the 2026 annual financial reports. These recommendations should be taken into account in light of their materiality and relevance for the issuer's operations and annual financial report.

CONTENTS

The following topics are addressed in the 2026 ECEP for IFRS financial statements, sustainability statements and annual financial reports submitted in the European Single Electronic Format (ESEF):

Priorities related to IFRS financial statements *Section 1*	Priorities related to sustainability statements *Section 2*	Priority related to ESEF reporting *Section 3*
Geopolitical risks and uncertainties	Continuing the progress along the materiality learning curve	Common errors found in the *Statement of Changes in Equity*
Restructuring provisions and debt restructuring	Providing connected information on IROs, PATs and metrics	

This Statement also provides, in section 4, some general remarks on specific topics that ESMA considers important for the stakeholders mentioned above. Although these general remarks are not enforcement priorities for 2026, issuers should consider them because they refer to (i) reminders of prior recommendations to improve corporate reporting practices, (ii) areas which may be relevant for specific sectors or lines of activity, or (iii) upcoming reporting requirements.

[1] As defined by Article 4 of Directive 2004/109/EC (Transparency Directive or TD), which includes sustainability statements and ESEF requirements.

SECTION 1: PRIORITIES RELATED TO IFRS FINANCIAL STATEMENTS

1.1 Priority 1: Geopolitical risks and uncertainties

General remarks

Geopolitical risks and uncertainties continue to be highly relevant for the 2026 financial statements of European issuers. Ongoing geopolitical tensions, trade policies, sanctions, changes in trade flows and regional conflicts may have significant direct and indirect implications for issuers' operations, financing conditions, asset valuations and cash flow projections, as well as related accounting estimates, judgements and disclosures. In this regard, ESMA highlights the messages included in 2025 ECEP Statement[2].

Liquidity risk and liquidity management

In the current environment, ESMA emphasises the importance of transparent and entity-specific disclosures regarding liquidity risk. IFRS 7 *Financial Instruments: Disclosures* requires disclosures that enable users of financial statements to evaluate the nature and extent of **liquidity risk arising from financial liabilities**[3].

In particular, issuers should provide a complete and clear maturity analysis for financial liabilities (including lease liabilities and trade payables) based on undiscounted contractual cash flows, including principal and interest payments[4]. The analysis should use appropriate time bands[5] that enable users to assess the timing of expected cash outflows and changes in liquidity risk. When significant repayments are concentrated in a particular period, issuers should carefully assess whether narrower maturity intervals may be needed. For example, a broad category of one to five years may not be appropriate where material repayments are expected within a specific year of that range, in which case more granular maturity intervals, including intervals shorter than one year, may be warranted. Issuers should also explain significant changes in liquidity risk exposures from the previous period[6] and, if relevant, disclose a maturity analysis for financial assets held for managing liquidity risk[7].

Furthermore, issuers should provide entity-specific qualitative and quantitative information on how liquidity risk is managed and, where relevant, explain the relationship between qualitative and quantitative disclosures about liquidity risk[8]. Where issuers refer to future financing actions as part of their liquidity management strategy, they should clearly distinguish between financing that is committed and financing that remains subject to conditions, negotiations, approvals or other uncertainties. Where an issuer faces significant liquidity pressures or financial difficulties, ESMA expects more granular disclosures on liquidity risk, liquidity management measures and sources of funding.

In some circumstances, **cash and cash equivalents** held by issuers may not be available for use by the consolidated group, for example, where cash balances are held in jurisdictions that are subject to exchange controls or other legal, regulatory or contractual restrictions. Issuers should carefully assess whether such restrictions exist and exercise appropriate judgement in determining whether cash balances are effectively available to the group. In those cases, ESMA expects issuers to provide entity-specific disclosures on the judgement applied, as well as the nature, amount and location of material restricted cash balances[9].

ESMA reminds issuers of the disclosure requirements concerning **covenants** attached to borrowing arrangements[10]. Disclosures should enable users of financial statements to understand the risk that the liabilities classified as non-current at the reporting date could become repayable within twelve months after the reporting period. When determining the level of detail of covenant disclosures, issuers should take into account their specific circumstances, including the risks of covenant breaches. In particular, issuers should consider disclosing the ratios or performance measures, applicable thresholds, the frequency of testing and the outcome of covenant assessments during the reporting period. Such disclosures are particularly important where covenant compliance may be affected by adverse economic conditions.

[2] 2025 European Common Enforcement Priorities Statement
[3] Paragraph 31 at seq. of IFRS 7.
[4] Paragraphs 39 (a) and (b), B11 – B11D of IFRS 7.
[5] Paragraphs 31, B11 of IFRS 7.
[6] Paragraph 33 (c) of IFRS 7.
[7] Paragraph B11E of IFRS 7.
[8] Paragraph 31, 39 (c), B11F and BC58D of IFRS 7.
[9] Paragraph 48 of IAS 7 *Statement of Cash Flows*.
[10] Paragraph 76ZA (a) of IAS 1 *Presentation of Financial Statements*. Please note that IAS 1 is being replaced by IFRS 18 *Presentation and Disclosure in Financial Statements*, which is effective for annual reporting periods beginning on or after 1 January 2027.

ESMA highlights that, when providing information about any difficulties they may have when complying with covenants[11], issuers should also disclose whether **covenant waivers** have been obtained during the reporting period or after the reporting date. Issuers are reminded that waivers obtained after the reporting period but before the financial statements are authorised for issue do not affect the classification of liabilities at the reporting date as current or non-current[12].

Fair value measurement and disclosures

Current developments can significantly affect **fair value measurements** by influencing valuation assumptions, observable inputs, and market expectations. ESMA notes that fair value measurements are required or permitted in several areas of financial reporting[13].

Where **valuation techniques based on discounted cash flow models** are applied[14], issuers should carefully assess whether current uncertainty has been adequately reflected in the valuation. With rising inflationary pressures, volatile energy prices and an increasingly complex operating environment, the range of reasonably possible future outcomes widens, making robust cash flow projections more challenging. Present value techniques differ in how they adjust for risk and in the type of cash flows they use. When applying present value techniques using risk-adjusted expected cash flows, issuers should consider the range of possible outcomes. The discount rate adjustment technique should reflect assumptions that are consistent with risks inherent in the cash flows.

Issuers shall **maximise the use of relevant observable market inputs** whenever available and minimise the use of unobservable inputs[15]. Unobservable inputs shall reflect the assumptions (e.g. risk assumptions) that market participants would use when pricing the asset or liability[16]. If an issuer uses quoted market prices as inputs to its fair value measurements and concludes there has been a significant decrease in the volume or level of activity for the asset or liability, further analysis of the transactions or quoted prices is needed. Reduced trading activity should not automatically result in a conclusion that a quoted price does not represent fair value or that a transaction in that market is not orderly[17].

Issuers should provide **transparent, entity-specific disclosures** regarding the valuation techniques applied, key assumptions, significant judgements and the related estimation uncertainty[18]. Where fair value measurements rely on significant unobservable inputs (Level 3), issuers should, in particular, provide[19] the disclosures on quantitative information on significant unobservable inputs[20], the amount of gains or losses attributable to changes in unrealised gains or losses relating to Level 3 measurements[21] and sensitivity information[22, 23]. For financial assets and financial liabilities, where reasonably possible alternative assumptions could result in materially different valuations, sensitivity information should include the quantitative effect of changes in assumptions.

If relevant, issuers should also explain how current economic and geopolitical developments affected the **valuation process** for their Level 3 measures[24]. In periods of heightened uncertainty, it may be necessary to incorporate appropriate risk adjustments where significant measurement uncertainty exists[25].

Non-current assets held for sale and discontinued operations

Where geopolitical developments lead issuers to **disposals of assets or exits from markets**, they should assess whether the criteria for classification as held for sale and/or discontinued operations under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are met[26].

The standard requires that the sale of assets (or disposal groups) classified as held for sale be **highly probable**, which means that the sale is expected within one year from the date of classification[27]. However,

[11] Paragraph 76ZA (b) of IAS 1.
[12] Paragraph 74 of IAS 1.
[13] This includes (but is not limited to) financial instruments (IFRS 9), impairment of assets (IAS 36), investment property (IAS 40), business combinations (IFRS 3) and non-current assets held for sale and discontinued operations (IFRS 5).
[14] Paragraphs B13-B30 of IFRS 13.
[15] Paragraph 67 of IFRS 13.
[16] Paragraph 87 of IFRS 13.
[17] Paragraph B38 of IFRS 13.
[18] Paragraph 91 of IFRS 13, paragraph 125 of IAS 1.
[19] Among other disclosures required by paragraph 93 of IFRS 13.
[20] Paragraph 93(d) of IFRS 13.
[21] Paragraph 93(f) of IFRS 13.
[22] Paragraph 93(h) of IFRS 13.
[23] If relevant, issuers should also consider requirements of other standards, e.g. paragraph 134 of IAS 36.
[24] Paragraph 93(g) of IFRS 13.
[25] Paragraph 88 of IFRS 13.
[26] Paragraphs 6 et sec. and 31 et sec. of IFRS 5.
[27] Paragraph 8 of IFRS 5

this period may extend due to events or circumstances beyond the issuer's control, provided that there is sufficient evidence that the issuer remains committed to its planned sale[28]. Where such evidence exists, issuers are required to maintain the 'held for sale' classification. Furthermore, given that current uncertainties may make these assessments more challenging, issuers should clearly disclose the facts and circumstances surrounding the sale including (if relevant) circumstances that have extended the sale beyond one year and the reasons for continuing the classification as 'held for sale'[29].

Finally, geopolitical developments may affect **credit risk and expected credit loss measurements**. Banks are expected to reassess if their existing models, assumptions and management overlays appropriately capture the effects of heightened uncertainty. Particular attention should be paid to sectoral, geographical and counterparty-specific exposures that may be disproportionately affected by these developments.

1.2 Priority 2: Restructuring provisions and debt restructuring

Restructuring provisions

Changing economic conditions may lead issuers **to restructure their operations**. ESMA reminds issuers of the requirements in IAS 37[30] which explain how the general recognition criteria for provisions apply to restructuring costs. A constructive obligation arises only when an entity has developed a detailed formal plan that creates a valid expectation among those affected that the restructuring will be carried out by starting to implement that plan or announcing its main features to those affected by it[31]. In measuring restructuring provisions, issuers should include only those direct expenditures that are necessarily entailed by the restructuring and are not associated with their ongoing activities[32]. Issuers should also assess whether a restructuring affects the application of other IFRS standards (e.g. IAS 36, IFRS 5).

ESMA encourages issuers to **provide transparent disclosures** on the main categories of expenditures recognised within such provisions. This would help users of financial statements understand the underlying obligations and the expected future cash outflows. Where applicable, disclosures on restructuring programmes should be consistent across the management report and financial statements.

ESMA highlights that the **termination benefits** for employees made redundant as part of the restructuring are recognised in accordance with the specific requirements of IAS 19 *Employee Benefits*[33]. Furthermore, where restructuring programmes affect defined benefit arrangements, issuers should assess whether pension curtailments or settlements have occurred and account for any resulting effects under IAS 19[34].

Debt restructuring

In the current macroeconomic environment, some issuers may need to **renegotiate or restructure their financing arrangements**, which may involve changes to contractual terms, including interest rates, maturity dates, repayment schedules, lenders, guarantees, collateral arrangements and covenants.

Issuers are reminded that **modifications of financial liabilities** should be carefully assessed under IFRS 9 *Financial Instruments* to determine whether derecognition is required[35]. While IFRS 9 includes the quantitative '10% test'[36], ESMA expects issuers to also consider qualitative factors, as these may indicate that a modification is substantial (e.g., a change in the currency of denomination or the introduction of an embedded equity component).

Issuers should **provide disclosures** on entity-specific accounting policies relating to the assessment of whether modifications of financial liabilities result in their derecognition[37], as well as the significant judgements applied in making those assessments during the reporting period[38]. ESMA notes that additional information about modifications, including their quantitative effects on the issuer's financial statements, may be necessary to enable users of financial statements to understand the nature and extent of risks arising from the affected financial instruments[39].

[28] Paragraph 9 and Appendix B of IFRS 5.
[29] Paragraph 41(b) of IFRS 5.
[30] Paragraphs 71 – 83 of IAS 37.
[31] If such a restructuring takes place after the year-end, issuers should disclose its nature and provide an estimate of its financial effect (paragraphs 21 and 22 (e) of IAS 10 *Events after the Reporting Period*).
[32] Paragraphs 80 – 83 of IAS 37.
[33] Paragraphs 159 – 171 of IAS 19.
[34] Paragraph 99 et seq. of IAS 19.
[35] Paragraph 3.3.2 of IFRS 9.
[36] Paragraph B3.3.6 of IFRS 9.
[37] Paragraph 117 of IAS 1.
[38] Paragraph 122 of IAS 1.
[39] Paragraphs 18, 31 of IFRS 7.

SECTION 2: PRIORITIES RELATED TO SUSTAINABILITY STATEMENTS

Financial year (FY) 2026 is a **transitional year when it comes to the reporting standards** issuers use to prepare their sustainability statements. Article 2(1) of Commission Delegated Regulation (EU) 2026/1563 permits issuers to prepare their sustainability statements based on one of the following: i) ESRS Set 1[40] as amended by the quick-fix delegated act[41], ii) ESRS Set 2[42] (i.e. the simplified ESRS) or iii) ESRS Set 1 as amended by the quick-fix delegated act and with those reliefs from ESRS Set 2 which are listed in Article 2(1)(b) of the Commission Delegated Regulation.

Issuers should be **transparent about the version of the ESRS** they have used to prepare their sustainability statement[43]. This can suitably be included in the basis for preparation of the sustainability statement. If issuers choose to report under ESRS Set 1 and to make use of the available ESRS Set 2 reliefs, they are reminded that the cases listed in Article 2(1)(b) are exhaustive and may not be extended further.

Within the **EU Taxonomy framework**, the Climate Delegated Act, the Environmental Delegated Act and the Disclosures Delegated Act are under revision. To acknowledge this, while the considerations ESMA outlined in previous years' priorities continue to apply, ECEP 2026 do not include specific Taxonomy recommendations. Nevertheless, ESMA confirms that enforcers will continue to supervise Taxonomy disclosures in FY2026 sustainability statements.

2.1 Priority 1: Continuing the progress along the materiality learning curve

Disclosures on the materiality of impacts, risks and opportunities (IROs) and the double materiality assessment (DMA) process remain focus points for enforcers[44], as these disclosures – and the underlying assessments – provide the foundation for the rest of the sustainability statement.

Assessing impacts rigorously and providing clear disclosure on the DMA process

During the DMA process, **ESMA encourages issuers to assess positive and negative impacts with the same level of rigour**. ESMA has observed that some issuers provide more extensive disclosure on positive impacts than on negative impacts which may not give users a sufficiently balanced view of the issuer. According to the qualitative characteristics, a neutral depiction shall cover favourable / positive and unfavourable / negative aspects in a balanced way and give equal attention to negative impacts, positive impacts, risks and opportunities[45]. As such, issuers should provide **clear disclosure on any impact materiality thresholds**[46] – especially when they use different thresholds for assessing the materiality of their positive and negative impacts – and **disclose their positive and negative impacts with comparable granularity**.

ESMA highlights the importance of high-quality disclosure on the identification, assessment and determination of IROs. Importantly, such disclosure should **cover both the issuer's own operations and its upstream and downstream value chain**[47].

ESMA reminds issuers that **information on the DMA process is most valuable when it is concise, company-specific and linked to the topic that is being assessed for material IROs**. For instance, there may be differences between the process for identifying and assessing IROs related to own workforce and the process for identifying and assessing IROs related to climate change. When the DMA process for a particular topic is significantly different from the process used for other topics, it will be helpful for users to receive information about this.

Ensuring comparability of IRO disclosures

The ESRS topics / subtopics (and sub-subtopics for ESRS Set 1) address a broad range of sustainability matters, and for many issuers it can therefore be expected that they cover most of the material IROs. While

[40] Commission Delegated Regulation (EU) 2023/2772.
[41] Commission Delegated Regulation (EU) 2025/1416.
[42] Commission Delegated Regulation (EU) 2026/1563.
[43] Commission Delegated Regulation, Article 2(2).
[44] Please refer to ECEP 2024 page 5-6, ECEP 2025 page 6-7 and the fact-finding on corporate reporting practices related to materiality under ESRS Set 1.
[45] ESRS Set 1: ESRS 1, Appendix B, par. QC 7 / ESRS Set 2: ESRS 1, par. 44 and Appendix B, par. QC 7.
[46] ESRS Set 1: ESRS 2, par. 53(b)(iv) / ESRS Set 2: ESRS 2, par. 35(a).
[47] ESRS Set 1: ESRS 1, par. 63 ; ESRS 2, par. 53(b)(ii) / ESRS Set 2: ESRS 1, par. 62; ESRS 2, par. 35(a).

ESMA acknowledges the obligation to provide entity-specific disclosures when a material IRO is not covered or not covered with sufficient granularity by an ESRS, to promote comparability across sustainability statements, it invites issuers to **only make use of the 'entity-specific' category when they have excluded all possibilities of relying on the ESRS categorisation**.

2.2 Priority 2: Providing connected information on IROs, PATs and metrics

ESMA expects consistency across issuers' disclosures on IROs, policies, actions and targets (PATs) and metrics. While this applies to all topics, for FY2026 enforcers will focus on disclosures on E1 *Climate change* and S1 *Own workforce* due to the advanced maturity of these topics.

Enhancing connectivity within the FY2026 sustainability statement

Issuers should be clear about **how their policies and targets**[48] **address the IROs** described under SBM-3 / IRO-2. For instance, when a GHG emission reduction target does not cover the issuer's full GHG inventory, this should be explained[49]. ESMA also encourages issuers to aim for **comparable granularity** when describing their policies and their IROs. For example, if an issuer has several material S1 IROs (discrimination, adequate wages, etc.) which are covered by one broad human rights policy, users will benefit from an explanation of how this policy covers each of the S1 IROs.

Furthermore, ESMA reminds issuers that **when they do not have PATs for a material IRO, they have to disclose this fact**[50]. Some issuers disclose PATs which do not address the entirety of the IRO they purport to cover, but this fact may be masked by the aggregated disclosure of IROs. ESMA expects issuers to improve transparency in this regard. For example, when an issuer discloses an aggregated IRO relating to both physical and transition climate risks, but the PAT only addresses transition risks, it is important to mention this. When an IRO spans the issuer's own operations and value chain, but the PAT only addresses own operations, this should be clarified[51].

When an issuer discloses the key actions through which it manages its material IROs, it should explain **how these key actions help it reach corresponding policy objectives**[52], for instance, by stating how the issuer's key social actions (e.g. training, grievance mechanisms, audit of suppliers) serve its policy objectives (e.g. preventing discrimination, respecting human rights). ESMA also reminds issuers of the requirement to be **transparent about current and future significant financial resources** (CapEx / OpEx) dedicated to their key actions[53]. When an issuer plans key actions and has not assigned significant financial resources to completing those actions, it should consider if it would be material for users to receive an explanation for why no significant resources are needed.

ESMA reminds issuers who include a **summary** in their sustainability statement to make sure that the information disclosed therein meets the qualitative characteristics. This includes a neutral depiction which, among other, requires a balanced coverage of favourable / positive and unfavourable / negative aspects[54].

Improving connectivity between the FY2026 sustainability statement and other parts of the FY2026 AFR

ESMA has in some cases observed a **mismatch between the IROs disclosed under SBM-3 and the risks included elsewhere in the annual financial report** (AFR) and reminds issuers to enhance consistency across these two areas. Furthermore, some issuers **omit information on the current financial effects** of their material IROs, and ESMA highlights that this disclosure should be provided in line with applicable requirements to support links with the issuer's financial reporting[55].

Promoting consistency between the sustainability statement for FY2026 and previous reporting periods

ESMA expects issuers to provide **consistent reporting on FY2026 and previous reporting periods** by following the requirements related to comparative information, changes in preparation or presentation of

[48] ESRS Set 1: ESRS 2, par. 64, 65(a) and 79(a) / ESRS Set 2: ESRS 2, par. 38, 41, 42(a) and 50.
[49] ESRS Set 1: E1, par. 34(b) / ESRS Set 2: E1, par. 24(b).
[50] ESRS Set 1: ESRS 2, par. 62 and 72 / ESRS Set 2: ESRS 2, par. 39.
[51] ESRS Set 1: ESRS 2, par. 65(b), 68(b) and 80(c) / ESRS Set 2: ESRS 2, par. 42(b), 45(b) and 51(c).
[52] ESRS Set 1: ESRS 2, par. 68(a) / ESRS Set 2: ESRS 2, par. 45(c).
[53] ESRS Set 1: ESRS 2, par. 69 / ESRS Set 2: ESRS 2, par. 46.
[54] ESRS Set 1: ESRS 1, par. 19, QC 5 and QC 7 / ESRS Set 2: ESRS 1, par. 110, QC 5 and QC 7.
[55] ESRS Set 1: ESRS 2, par. 48(d) / ESRS Set 2: ESRS 2, par. 25.

sustainability information and material reporting errors in prior periods[56]. When an issuer has **revised or restated comparative figures**, it should communicate this clearly[57]. When the year-on-year comparability of the issuer's disclosure is affected because it has prepared its FY2026 sustainability statement based on ESRS Set 2 or ESRS Set 1 with the list of Set 2 reliefs, the issuer should make this clear, for instance by indicating the disclosures affected[58]. ESMA also recalls to Wave 1 issuers who apply ESRS Set 2 for FY2026 that the possibility to omit comparative information for FY2026 only applies to quantitative metrics and amounts that are different from the metrics and amounts required by ESRS Set 1[59].

Ensuring clarity on targets

Targets permit users to track issuers' progress and keep them accountable. Issuers should disclose their **measurable, time-bound and outcome-oriented targets**[60] and use a clear terminology to define their targets. ESMA furthermore reminds issuers to make sure that **methodological information is disclosed and specific to the target at hand.** Presenting this information in a table may help, as combining information about several targets in one paragraph is often confusing. If some of the metrics underlying a target are not covered by the ESRS, methodological information on those metrics should be provided[61].

ESMA reminds issuers of the importance of disclosing their progress towards meeting their targets, in particular where performance has changed significantly compared to previous reporting periods. Where an issuer has **met a target it disclosed in the previous period**, it should state this, and in this situation, users will benefit from knowing whether it has established a new target. If an issuer has **missed (or abandoned) a target** with the current reporting year as the target year or considers that it will not be able to meet a target by the target year, it should disclose that fact[62].

Furthermore, **ESMA reminds issuers of the importance of clear disclosure on methodological changes compared to previous years** as such changes can affect assessment of the progress towards the target. For example, if an issuer has changed its baseline year or value, this should be indicated and explained (e.g. with reference to a new perimeter due to an acquisition, extended GHG coverage or improved Scope 3 estimates). The issuer should provide the same transparency if it has changed its target year or value[63]. Similarly, if the issuer has amended the calculation methodology of a metric used to track progress against a target, it should be transparent about any consequences such changes may have had on the disclosed progress towards the target.

E1 requires issuers to state whether a GHG emission reduction target is science-based and compatible with limiting global warming to 1.5 degrees. ESMA notes that some issuers **mention 'science-based' or '1.5 degrees' without explicitly stating whether and how their targets meet these characteristics**, and this should be improved to avoid misleading users[64]. Unless the ESRS specify otherwise[65], ESMA also reminds issuers to disclose **absolute (and not only intensity) values** for their targets[66] and urges them to clearly **distinguish between GHG emission reduction targets (gross) and other targets** which are netted, as mixing these types of targets risks creating an inaccurate picture of the issuer.

The topical disclosure requirements related to S1 targets are less detailed, but ESMA encourages issuers to maintain their discipline when presenting S1 targets in line with MDR-T / GDR-T. ESMA has observed instances where issuers do not make a **clear distinction between broad commitments and actual targets (measurable, time-bound and outcome-oriented)**. ESMA reminds issuers to be clear about what are their actual targets and to link those targets to their material IROs and related policies and key actions[67].

[56] ESRS Set 1: ESRS 1, par. 83-86 and 95-101 / ESRS Set 2: ESRS 1, par. 83-87 and 98-99.
[57] ESRS Set 1: ESRS 2, par. 13-14 / ESRS Set 2: ESRS 1, par. 84, 85 and 87.
[58] ESRS Set 2: ESRS 1, par. 124.
[59] Ibid.
[60] ESRS Set 1: ESRS 2, par. 80 / ESRS Set 2: ESRS 2, par. 51.
[61] ESRS Set 1: ESRS 2, par. 77(a) / ESRS Set 2: ESRS 2, par. 49(a).
[62] ESRS Set 1: ESRS 2, par. 80(j) / ESRS Set 2: ESRS 2, par. 49(d).
[63] ESRS Set 1: ESRS 1, par. 95; ESRS 2, par. 13(a) / ESRS Set 2: ESRS 1, par. 84.
[64] ESRS Set 1: E1, par. 34(e) / ESRS Set 2: E1, par. 24(c).
[65] ESRS Set 2: E1, par. AR13 for par. 24.
[66] ESRS Set 1: E1, par. 34(a) / ESRS Set 2: E1, par. 24(a).
[67] ESRS Set 1: ESRS 2, par. 67, 68(a), 79(a), 79(b) and 80(a) / ESRS Set 2: ESRS 2, par. 44, 45(c), 50 and 51(a).

SECTION 3: PRIORITY RELATED TO ESEF REPORTING

For the examination of 2026 annual financial reports subject to ESEF reporting requirements containing IFRS consolidated financial statements, ESMA and enforcers will pay particular attention to the following common ESEF filing errors in the **statement of changes in equity** (SOCE), which issuers should consider when preparing and marking up the statement.

Issuers should also refer to the **ESMA ESEF Reporting Manual** for detailed implementation guidance on the application of the RTS on ESEF and the common filing issues highlighted in this priority.

Link to RTS on ESEF | **Link to ESEF Reporting Manual (2025 update)**

Correctness of markups
Do the selected concepts and members reflect the closest accounting meaning of the reported item or movement?

- Core taxonomy concepts in the SOCE are sometimes misapplied due to **incorrect interpretation of their scope, granularity** or nature of the transaction *(i.e.: marking up movements in specific equity components using broad "total equity" members or misclassifying owner transactions, other comprehensive income items or transfers between reserves).*
- Errors also occur when the **markup does not fully reflect the economic substance** of the reported member, including where a combined component is identified using only one of its underlying components (*i.e.: a member combining issued capital and share premium is marked up using only one of the underlying concepts, thereby capturing only part of the reported movement*).

RTS on ESEF, Annex IV, §3

Completeness & consistency of markups
Are all facts marked up consistently across components, subtotals and periods?

- **Incomplete or inconsistent markup of equity movements**, particularly for comparative periods or for column-based disclosures across equity components *(i.e.: omission of certain columns such as non-controlling interests, retained earnings or individual reserves while only total equity is marked up)*, preventing users from reconstructing component-level movements.
- **Inconsistent markup of the same economic concept across statements** *(i.e.: total equity, profit or loss, or comprehensive income),* resulting in differences in values, periods, entity scope, dimensions or units.
- **Dimensional inconsistencies**, including inconsistent use of members across periods, failure to apply the components of the equity axis where appropriate, use of an incorrect default or total member, or duplicate/ inconsistent tagging of the same disclosure with unqualified and explicitly dimensioned facts.
- **Missing markups** of monetary facts (including footnotes) relating to equity movements, and of Annex II elements for narrative text blocks supporting the SOCE.
- A dash or empty cell is not a number and is therefore not required to be marked up under Annex II.1. Nevertheless, ESMA recommends marking up **empty fields or dash symbols** to preserve their economic meaning in the machine-readable report in accordance with the ESEF Reporting Manual. Where such positions are marked up, *ixt:fixed-zero* should be used only for genuine zeros, nil facts without a transformation only for genuinely nil disclosures, and no fact should be created for non-applicable information.

RTS on ESEF, Annex II, §1, 2

ESMA
European Securities and Markets Authority

Structural, presentation & calculation correctness
Can the entire SOCE be reconstructed & reconciled from XBRL facts?

• **Structure**: Issuers should ensure that ESEF filings follow the prescribed folder structure (some filings are still observed to contain one or more nested ZIP files within the .zip or .xbri ESEF package). Common structural issues also include incorrect modelling of the SOCE, such as inappropriate use of axes and members, inconsistent application of dimensions to equity components, or mixing dimensioned and non-dimensioned facts within the same roll-forward disclosure.

• **Presentation**: The presentation linkbase should reflect the logical structure of the SOCE, including equity components & movements. Common errors include incorrect or missing abstract elements and inconsistent ordering of movements.

• **Calculation**: Equity roll-forwards should be modelled consistently to enable reconstruction from the XBRL markup. The presentation linkbase should appropriately reflect the roll-forward structure, with calculation relationships used, where applicable, to support reconciliation, validation and machine-readable analysis. Common errors include inconsistencies between the presentation and calculation linkbases, for example where calculation relationships do not correspond to the arithmetic relationships between the facts presented in the SOCE.

RTS on ESEF, Annex III

Extension taxonomy elements & anchoring
Is an extension necessary, clearly defined and anchored to the closest accounting meaning?

• **Extensions are frequently created for entity-specific reserves or equity components** *(i.e.: merger reserves, statutory reserves),* although suitable core taxonomy elements may already exist. Issuers should first assess the core taxonomy before creating extensions.

• **Extension elements representing specific equity movements or components should be appropriately anchored to the core taxonomy**, including to the closest wider taxonomy concept(s) and, where necessary (i.e., where the extension incorporates the meaning of a number of existing taxonomy elements), the closest narrower concept(s) *(i.e., correctly anchoring an equity component such as a specific reserve to a broader "other reserves" concept, or an equity movement to a broader taxonomy concept representing the same type of movement, such as "capital increases in cash" being anchored to "issue of equity". In either case, the extension should also be anchored, where required by the RTS, to corresponding narrower taxonomy concept(s)).*

• **Incorrect anchoring may arise where extensions are linked to unrelated concepts** *(i.e.: anchoring equity transactions to profit or loss elements),* reducing semantic consistency and comparability.

RTS on ESEF, Annex IV, §4, 4(a), 9(a), 9(b)

Correctness of signs, scales & numerical representation
Does the effective XBRL value exactly match the displayed amount and sign?

• **Signs and balance attributes**: The effective XBRL value should convey the same accounting meaning as the displayed amount. Common errors include incorrect signs, inappropriate concepts or balance attributes, and inappropriate balance attributes on extension elements *(i.e.: a distribution to owners should not be tagged in a way that increases equity).* Such errors are common in the SOCE as XBRL calculations cannot validate the full roll-forward, meaning incorrect signs in individual movements may not be detected automatically.

• **Scales and numerical representation**: Inconsistent use of decimals or scaling across columns in the SOCE, especially where multiple equity components are presented side by side.

• Errors in representing opening and closing balances, or inconsistencies between movements and totals, which may result in reconciliation issues, including where reporting dates are not consistent with the XBRL convention that dates represent the end of the specified day *(i.e., an opening balance on 1 Jan 2026 correctly uses an instant date of 31 Dec 2025 in an ESEF context)*.

SECTION 4: GENERAL CONSIDERATIONS AND REMINDERS

This section includes general considerations and reminders that are not part of this year's ECEP. ESMA encourages issuers, auditors and supervisory bodies to consider them when preparing, auditing or supervising annual financial reports, as they may relate to future reporting periods, management report disclosures or past publications.

Implementation of IFRS 18 Presentation and Disclosure in Financial Statements

- ***IFRS 18*** *becomes effective for annual reporting periods beginning on or after 1 January 2027 and requires comparative information for the preceding period. The new presentation and disclosure requirements also apply to interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting in the year of initial application, together with extensive transitional disclosures. ESMA reminds issuers of the importance of* ***ensuring high-quality implementation*** *of the standard and providing transparency on its impacts. In this regard, ESMA refers to its statement on the implementation of IFRS 18*[68]*. ESMA urges issuers to closely monitor discussions within the* ***IFRS Interpretations Committee (IFRS IC)*** *regarding the application of IFRS 18, as its decisions provide further clarification on the application of certain requirements.*
- *With regard to issuers'* ***2026 financial statements,*** *issuers should, in accordance with the disclosure requirements of IAS 8, provide entity-specific information on* ***the expected impact of IFRS 18****. This may include explanations on quantitative changes to the presentation of the statement of profit or loss, assessments of specified main business activities and details on measures that are expected to meet the definition of a management-defined performance measure (MPM), including information on whether the issuer plans to discontinue or to introduce new measures in public communications, as well as other significant judgements and key accounting policy decisions.*
- *Issuers should also consider how the implementation of IFRS 18 may affect* **other areas** *included in public communication, e.g. financial targets and other metrics used in business plans. Moreover, issuers are reminded that IFRS 18 will have implications for* ***ESEF reporting****. Early assessment of the required XBRL mappings, taxonomy elements and potential extension needs (including for comparative information) may facilitate a smoother transition and help ensure high-quality digital reporting from first-time application. Issuers are reminded that the ESEF Taxonomy package published by ESMA in April 2026, applicable to 2026 annual financial reports, includes separate IAS 1 and IFRS 18 entry points to support early familiarisation, testing and implementation.*
- ***Finally,*** *in relation to performance measures based on hypothetical income and expenses included in regulated information documents, prospectuses and disclosures under article 17 of MAR, ESMA reminds issuers of Q&A 1884*[69] *on the Guidelines on Alternative Performance Measures (APMs). Notably, ESMA urges issuers, before making adjustments to previously used APMs or including new APMs, to carefully assess whether the intended adjustments or new APMs would provide transparent and useful information to the market, improve comparability, reliability and/or comprehensibility of APMs and of the financial information disclosed to the market.*

Preparing for future sustainability reporting

- *ESMA observes that many* ***targets are approaching their deadline as the year 2030 draws close****. In future reporting periods, it may become increasingly clear that previously set 2030 targets cannot be achieved. In that case, it will be important for issuers to promptly make disclosures to this effect in line with Priority 2 'Ensuring clarity on targets'.*
- *Additionally, issuers should prepare to draw up their FY2027 reporting based on ESRS Set 2 if they have not already done so for FY2026. One notable change in Set 2 is that* ***undertakings should not report non-material information except in specific cases***[70]*, and issuers should be ready to adjust their current approach to this provision.*

[68] Reshaping performance: Implementation of IFRS 18 Presentation and Disclosure in Financial Statements

[69] ESMA_QA_1884

[70] ESRS Set 2: ESRS 1, par. 24.