

STATEMENT

European common enforcement priorities for 2025 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 2025 annual financial reports¹ 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 responsibility of management and supervisory bodies of issuers 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 2025 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 2025 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 <i>Section 1</i>	Priorities related to sustainability statements <i>Section 2</i>	Priority related to ESEF reporting <i>Section 3</i>
Geopolitical risks and uncertainties Segment reporting	Materiality considerations in reporting under ESRS Scope and structure of the sustainability statement	Common errors found in the <i>Statement of Cash Flows</i>

This Statement also provides, in [section 4](#), some general remarks on specific topics. ESMA considers these topics, which include **connectivity between financial and sustainability reporting**, to be of importance for users and issuers. Although these general remarks are not enforcement priorities for 2025, 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 are expected to be highly relevant for the 2025 financial statements due to their widespread and multifaceted impact on business performance, financial position and disclosures. The continued war in Ukraine, escalating tensions in the Middle East and increased trade frictions have led to persistent volatility in energy and commodity prices, supply chain disruptions and shifting global trade patterns. These developments could have direct financial reporting implications, including, but not limited to: potential **asset impairments and write-downs**, changes in **revenue recognition** patterns and in recoverability of **deferred tax assets**. Moreover, they may require reassessment of provisioning needs, liquidity risks², key assumptions used in valuation models (e.g. expected credit losses (ECL) and fair-value measurement), compliance with debt covenants³, going concern assumptions and sensitivity analyses.

Issuers should provide clear, detailed and entity-specific disclosures to ensure that stakeholders receive relevant, accurate and timely information that enables them to understand how such uncertainties affect the entity's financial position and performance⁴. Issuers should, for example, avoid generic references to 'geopolitical uncertainties' and instead be specific about the actual developments or events affecting their judgements and assumptions (including going concern)⁵. As in the previous years, where applicable, ESMA reminds issuers to provide sensitivity analyses that illustrate how the carrying amounts would have been affected by reasonably possible changes in these assumptions within the next financial year⁶.

Furthermore, issuers should apply judgement and consider all facts and circumstances to determine whether additional disclosures (beyond those explicitly required by IFRS) are necessary to enable users of financial statements to understand the effect (or lack of effect) of geopolitical risks and uncertainties on their financial position, cash-flows and/or financial performance⁷.

Finally, ESMA calls for consistency in the risks and assumptions used in estimations and measurements related to geopolitical uncertainty and the information included elsewhere in the annual financial report⁸.

Write-down of inventories and impairment of non-financial assets

ESMA highlights that price volatility, tariffs and other trade restrictions may lead to a decline in the net realisable value of inventories. In such cases, issuers are required to recognise (e.g., work in progress)⁹ and to disclose the amount of any write-downs of inventories¹⁰.

Furthermore, changes in the environment in which issuers operate or in the markets to which issuers' assets are dedicated (e.g. imposing new or increasing existing tariffs, significant changes in commodity or other production input prices or exchange rates, increased transport costs and supply chain disruptions) could indicate that an asset or group of assets is impaired¹¹. This, in turn, would require estimating the recoverable amount of the assets concerned. Issuers should (i) disclose the events and circumstances that led to the recognition (or reversal) of impairment losses¹² and (ii) critically review, and update assumptions (both operating and financial) used when determining cash-flow projections (e.g. impact of tariffs in profitability margins and costs) in impairment tests including growth and discount rates and duration of cash-flow projections. Similarly, if the recoverable amount is based on fair value less cost of disposal, key assumptions on which fair value calculations are based may also need to be updated. Adjustments to financial plans approved by management¹³ may be necessary to reflect changes to management's best estimates due to recent developments concerning the assets / CGUs and/or current geopolitical context.

² Paragraph 76ZA of IAS 1 *Presentation of Financial Statements* and paragraphs 33, 34, 39 and B10A of IFRS 7 *Financial Instruments: Disclosures*.

³ Please refer to Priority 1 in [2024 ECEP](#).

⁴ Paragraphs 122 to 125 of IAS 1, Priority 2 in the [2024 ECEP](#).

⁵ Paragraphs 25 and 122 of IAS 1 and consider the [Educational material on Going Concern – A focus on disclosure](#).

⁶ Paragraphs 125 and 129 of IAS 1.

⁷ Paragraph 31 of IAS 1.

⁸ This relates, for example, to the information required under Article 19 (2)(a) of [Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013](#).

⁹ Paragraphs 28 – 33 of IAS 2 *Inventories*.

¹⁰ Paragraph 36(e) of IAS 2.

¹¹ Paragraph 12 of IAS 36 *Impairment of Assets*.

¹² Paragraph 130(a) of IAS 36.

¹³ Paragraphs 33 (a) and 38 of IAS 36.

ESMA reminds issuers that paragraphs 134(d) and (e) of IAS 36 require disclosing information (e.g. how tariffs or other material uncertainties were considered when projecting cash-flows) about key assumptions used to measure the recoverable amount of a cash-generating unit (CGU) when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit. In particular, issuers should explain the approach to determining the values assigned to each in key assumption and whether they reflect (or differ from) past experience or external sources of information. In this respect, ESMA reminds issuers that greater weight should be given to external evidence when calculating the value in use. Moreover, new developments or uncertainties can influence the assessment of whether a reasonable possible change in a key assumption would cause the carrying amount of these CGUs to exceed its recoverable amount which may result in the need for disclosures under paragraph 134(f) of IAS 36.

Deferred tax assets (DTAs)

Geopolitical risks and uncertainties can adversely affect issuers' future profitability outlook. This, in turn, may cast doubt on the recoverability of DTAs, particularly for issuers incurring tax losses or operating in highly volatile environments. Hence, issuers should reassess if the recognition and measurement requirements for DTAs¹⁴ remain fulfilled (e.g., if it is probable that future taxable profit - as defined in IAS 12 - will be available against which deductible temporary differences or tax losses can be utilised)¹⁵. Where applicable, issuers should disclose the information required by paragraphs 81 and 82 of IAS 12 on deferred taxes (e.g., nature of the evidence supporting the recognition of DTAs).

Revenue recognition

Trade frictions and uncertainties can affect revenue recognition, for example, for contracts for which revenue is recognised over time and progress is measured using the cost-based input method¹⁶. New (or changes to existing) tariffs may increase the estimated costs to complete a contract and reduce the percentage of completion. In these cases, issuers must update their measure of progress to reflect such changes, treat them as changes in accounting estimates and disclose them if material¹⁷. Similarly, issuers may need to assess if provisions for onerous contracts need to be recognised¹⁸.

Moreover, current developments may result in the renegotiation of contract terms. For example, due to economic uncertainty, the contractually agreed number of units or pricing may be changed. Depending on specific facts and circumstances, the contract modification¹⁹ should be accounted for either as a separate contract, a termination of the existing contract followed by the creation of a new one, or as a part of the existing contract. If contract terms allow the issuer to pass cost increases (e.g., due to tariffs) on to its customers, the resulting changes in the transaction price should be accounted for as a change in the estimate of the variable consideration²⁰. Where applicable, issuers should disclose the (changes to) significant judgements (e.g., in assessing the accounting treatment of modifications), significant estimates (e.g., in connection with variable considerations) and explain their impact on the financial statements²¹.

Other considerations

ESMA reminds issuers that when considering business sales, closures, management changes, or other major restructuring activities²², a **provision for restructuring costs** is recognised only if all recognition criteria of paragraph 14 of IAS 37 are met. In this context, issuers may also need to consider the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

ESMA notes that geopolitical events may have a significant impact on the valuation and risk profile of some **financial instruments** held by issuers. Issuers should carefully assess the potential effects of such events on the credit risk of their borrowers and counterparties, as they might lead to increased ECL on loans, trade and lease receivables and other financial assets in the scope of IFRS 9. Moreover, issuers should disclose

¹⁴ Paragraphs 24, 34 – 36, 51 and 56 of IAS 12 *Income Taxes*

¹⁵ ESMA statement: [Considerations on recognition of deferred tax assets arising from the carryforward of unused tax losses](#).

¹⁶ Paragraph B19 of IFRS 15 *Revenue from Contracts with Customers*.

¹⁷ Paragraph 43 of IFRS 15, paragraph 39 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

¹⁸ Paragraphs 66-69 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

¹⁹ Paragraphs 18 et seq. of IFRS 15.

²⁰ Paragraphs 50 et seq. of IFRS 15.

²¹ Paragraph 123 – 126 of IFRS 15.

²² Paragraphs 70 – 83 of IAS 37.

any significant changes in their financial risks (e.g., credit, liquidity, currency and other price risks) related to financial instruments or in their objectives, policies and processes for managing those risks²³.

1.2 Priority 2: Segment reporting

General principles of identification and aggregation

IFRS 8 *Operating Segments* requires issuers to disclose information to enable users of financial statements to evaluate the nature and financial effects of the business activities in which they engage and the economic environments in which they operate. ESMA calls on issuers to ensure consistency between the segment information included in the management report, in the reporting to the Chief Operating Decision Maker (CODM) and in the financial statements. In addition, issuers should provide entity-specific disclosures of all material factors used to identify their segments. ESMA notes that the identification of operating segments in accordance with IFRS 8 can have effects on the application of requirements of other IFRS Accounting Standards. In this respect, ESMA notes that paragraph 80 of IAS 36 requires that CGUs or groups of units to which the goodwill is allocated for impairment testing cannot be larger than an operating segment.

The aggregation criteria (a) – (e) in paragraph 12 of IFRS 8 can only be applied to operating segments that have similar economic characteristics, and the aggregation complies with the core principle of IFRS 8. Issuers are required²⁴ to disclose the judgements made in applying the aggregation criteria, including a brief description of the aggregated operating segments and, where applicable, the indicators that demonstrate that those segments share similar economic characteristics. ESMA outlines that geopolitical uncertainties (e.g. trade frictions) and climate matters, might lead to changes in issuers' operating segments, the application of aggregation criteria²⁵ and/or the disaggregation of revenue. Issuers should, therefore, carefully assess if such uncertainties require changes in reportable segments and in revenue disclosures²⁶.

Disclosure of revenues and expenses for reportable segments

ESMA highlights the disclosure of revenues and expenses for reportable segments. In particular, – as noted in IFRS IC's agenda decision of July 2024²⁷ – paragraph 23 of IFRS 8 requires issuers to disclose certain income and expense items if they are (i) included in the measure of segment profit or loss reviewed by the CODM (even if they are not separately provided to, or reviewed by, the CODM) or (ii) regularly provided to the CODM (even if they are not included in the measure of segment profit or loss).

Moreover, ESMA emphasises that material items of income and expense that need to be disclosed in accordance with paragraph 23(f) of IFRS 8 are not limited to only unusual or non-recurring items. In this context, in applying judgement, issuers should consider principles of materiality in IAS 1²⁸ and the issuer's specific facts and circumstances, including, but not limited to, those referred to in paragraph 98 of IAS 1. In light of the IFRS IC decision, ESMA recommends that issuers carefully review their IFRS 8 disclosures and judgements made when presenting subtotals and items (e.g. cost of sales) in their operating segments.

Information about geographical areas and major customers

ESMA emphasises the relevance of entity-wide disclosures on geographical areas and major customers required by paragraphs 33 and 34 of IFRS 8 in the current environment of trade barriers and geopolitical uncertainty. Issuers should provide information about revenues from external customers attributed to and certain non-current assets located in (i) the entity's country of domicile, (ii) all foreign countries in total and (iii) individual countries, if material. When assessing materiality, issuers should consider both quantitative and qualitative factors. For example, the fact that all (or significantly all) of the issuer's material revenues are attributed to foreign countries could be material information (in particular, if those foreign countries are subject to trade restrictions or tariffs). In addition, issuers may need to disclose how revenues have been allocated to individual countries or geographical areas (e.g., based on where the sales were originated or the location of end-customers). Finally, ESMA also notes that paragraph 34 of IFRS 8 does not provide exemptions from disclosing revenue information about major customers.

²³ Paragraphs 31 and 33 (c) of IFRS 7.

²⁴ Paragraph 22(aa) of IFRS 8.

²⁵ Paragraph 114 of IFRS 15.

²⁶ Paragraph 115 of IFRS 15.

²⁷ [Disclosure of Revenues and Expenses for Reportable Segments \(IFRS 8 Operating Segments\)](#).

²⁸ Paragraphs 7 and 97 of IAS 1.

SECTION 2: PRIORITIES RELATED TO SUSTAINABILITY STATEMENTS

2025 was the first reporting year under the Corporate Sustainability Reporting Directive²⁹ (CSRD) for certain large public-interest entities (“Wave 1” companies). In February 2025, the European Commission (EC) published its Omnibus legislative package³⁰ to reduce the administrative burden for companies and increase competitiveness. This included the “Content” Directive³¹, proposing amendments to the CSRD – including a significant scope reduction in reporting undertakings – Audit Directive, Accounting Directive and Corporate Sustainability Due Diligence Directive. This proposal is under discussion by the co-legislators. The Omnibus package also included the “Stop the clock” Directive³² which postpones all reporting requirements for the undertakings in the original CSRD scope which were not required to report in 2025. This postponement includes the so-called “Wave 2” companies. With the Omnibus package, the EC also committed³³ to streamline the first set of European Sustainability Reporting Standards (ESRS). Based on a mandate from the EC³⁴, EFRAG published an exposure draft of the revision on 31 July 2025³⁵.

ESMA reminds “Wave 1” companies that the revised ESRS will only be applicable after the corresponding Delegated Act is published in the Official Journal. “Wave 1” companies should therefore not rely on EFRAG’s exposure draft or final technical advice to the EC to prepare their disclosures for financial year 2025. The EC has, however, adopted the “Quick Fix” Delegated Act³⁶ to extend the use of several phase-in provisions. This Delegated Act is undergoing scrutiny by the co-legislators and ESMA encourages “Wave 1” companies to monitor its finalisation to determine their reporting obligations in 2026 for financial year 2025. Equally, **“Wave 2” companies are encouraged** to monitor the transposition of the “Stop the clock” Directive in their Member States to determine their reporting obligations in 2026.

ESMA also reminds issuers that it has published the following documents:

- [July 2024] Recommendations³⁷ on implementing the current sustainability reporting framework which remain largely valid and point at support published by the EC³⁸ and EFRAG³⁹.
- [June 2025] Statement⁴⁰ which acknowledges the uncertainty caused by the Omnibus proposals and the uneven transposition of the CSRD and which clarifies enforcers’ approach to enforcement of sustainability reporting in this context.

Due to the uncertainty linked to the current regulatory context, ESMA has exceptionally carried over two of the priorities from its ECEP 2024⁴¹, namely the implementation of the ESRS requirements on materiality and the scope and structure of the sustainability statement. Both areas relate to fundamental features of sustainability reporting and through these priorities, ESMA seeks to encourage issuers’ progression along their learning curve while acknowledging that some of the detailed requirements may be subject to changes in the revision of the ESRS. This year’s priorities on materiality considerations were also informed by the results of a fact-finding exercise⁴² ESMA conducted to take stock of evidence from the first cycle of ESRS reporting.

As for Taxonomy disclosures, the Omnibus package included a Delegated Act amending the Taxonomy Disclosures Delegated Act and the Climate and Environmental Delegated Act. The EC adopted⁴³ this Delegated Act in July 2025. It will be in force after the scrutiny period if the co-legislators do not raise objections. Undertakings are encouraged to apply the revised rules to their 2026 disclosures (financial year 2025) but have the option to apply the previous rules to that reporting cycle. Acknowledging the changing regulatory environment, ESMA has not included specific recommendations on Taxonomy disclosures in the ECEP 2025.

²⁹ [Directive \(EU\) 2022/2464](#).

³⁰ [Omnibus legislative package](#).

³¹ [“Content” Directive proposal](#).

³² [“Stop the clock” Directive](#), adopted April 2025.

³³ [EU Commission staff working document accompanying the Omnibus package](#).

³⁴ [EC mandate on revised ESRS](#), 27 March 2025.

³⁵ [EFRAG exposure draft on ESRS revision](#).

³⁶ [“Quick fix” Delegated Act](#).

³⁷ ESMA statement - [Off to a good start: first application of ESRS by large issuers](#).

³⁸ [Q&A on ESRS; Summary of modifications to ESRS in “Quick fix” Delegated Act](#).

³⁹ EFRAG’s [ESRS Implementation Guidance](#); [ESRS-ISSB Standards – Interoperability Guidance](#); [EFRAG ESRS Q&A Platform](#).

⁴⁰ ESMA statement: [Navigating change together: ERS supervision in the Omnibus environment](#).

⁴¹ [2024 ECEP](#).

⁴² ESMA Statement: [Materiality matters \(!\): Results of a fact-finding exercise on 2024 corporate reporting practices under ESRS Set 1](#).

⁴³ [EU Commission Delegated Regulation of 4 July 2025 amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts](#).

2.1 Priority 1: Materiality considerations in reporting under ESRS

Importance of materiality considerations

Materiality considerations play a key role in sustainability reporting under the ESRS as the results of the two-step assessment (materiality of Impacts, Risks and Opportunities - IROs and materiality of information) determine the topical disclosures to be provided by the undertaking. As such, double materiality is the filter which ensures the decision-usefulness of reported information for all users of the sustainability statement.

In the light of this structural importance of materiality, ESMA stresses the particular care that should be brought to the disclosures in ESRS 2 pertaining to the assessment process followed by the issuer. The related Disclosure Requirement (IRO-1) is broken down in several datapoints in the current set of ESRS. While ESMA's fact-finding showed that this led to detailed accounts of the methodology and procedural steps taken, the resulting disclosures were in some cases boilerplate when they mostly reproduced the concepts defined in ESRS 1 or the generic approach suggested in EFRAG's Implementation Guidance on *Materiality Assessment* (IG1)⁴⁴. Insufficient insight was sometimes provided on how individual issuers had adapted these criteria and steps to their facts and circumstances.

Materiality assessment process and related disclosures

In this regard, ESMA wishes to highlight the datapoint related to the input parameters to the materiality assessment process. This datapoint is meant to shed light on the basis for determining whether an IRO is material. These inputs include the data sources, scope of operations that are covered (including in relation to specific geographies or activities) and other considerations, such as the key assumptions relied upon. On the same line, the disclosures related to the thresholds should help users of the sustainability statement understand the main considerations relied upon for the determination of material sustainability matters, most notably for the matters whose materiality issuers were most uncertain of during the assessment process. For negative impacts, this can be done through detailing the severity scale that was applied for particular matters. For risks, disclosure of the indicator used for setting the threshold, or even of the quantitative threshold itself may be most enlightening.

ESMA also expects issuers to be transparent on how they have considered gross impacts (i.e., before the effect of any prevention, mitigation or remediation actions) in their materiality assessment process.

ESMA finally reminds issuers that information regarding the engagement with internal and external stakeholders for the purpose of the materiality assessment refers to affected stakeholders. This group of stakeholders should be identifiable, and related disclosures should help users understand how their interests and views were integrated in the materiality process, when that was the case.

Results of the materiality assessment

As for information on the results of the assessment process, ESMA underlines the importance of the ESRS 2 disclosures (SBM-3 and IRO-2) which can serve as entry points to the sustainability statement for users. These disclosures should provide a complete view of the issuer's material IROs and how they relate to its strategy and business model and also guide the user to where and how the management of these IROs (including entity-specific ones) is addressed in the topical sections of the sustainability statement. In this regard, ESMA reminds issuers of the embedded logic of the ESRS, whereby this objective is being achieved through disclosing the policies, actions and targets – or the absence thereof – and metrics related to the corresponding sustainability matters.

Regarding the description of the IROs, ESMA recalls the disclosure requirement in SBM-3 of ESRS 2, including the related time horizon and whether the IROs arise in the issuer's own operations or in the value chain. ESMA recommends that this description also includes explanations of any interdependency among the material IROs, where relevant, and help ensure that the positive impacts identified are not confused with mitigation of negative impacts.

Regarding connection between the IROs and the topical disclosures, ESMA notes that comparability among issuers is better achieved when IROs are mapped to the ESRS topics and sub-topics and when the ESRS

⁴⁴ [EFRAG IG1 Materiality Assessment](#).

terminology is used in the description of the IROs, whenever relevant. Together with the table of disclosures required in IRO-2 and EFRAG's explanation of the links between ESRS sustainability matters and disclosure requirements⁴⁵, such mapping can assist the users of sustainability statements in more easily navigating through the topical disclosures. This mapping would also help with the identification of the IROs which are addressed by entity-specific disclosures, as required by SBM-3. More generally, ESMA encourages as a good practice the systematic signposting of the entity-specific disclosures for their easier identification within the statement.

Non-material information

ESMA finally reminds issuers that non-material information, in cases allowed by the ESRS, should be clearly identified and not obscure material information.

2.2 Priority 2: Scope and structure of the sustainability statement

Scope of the sustainability statement

Regarding the scope of the sustainability statement, ESMA reminds issuers that, according to ESRS 1, the sustainability statement shall be for the same reporting undertaking as the financial statements. In this regard, BP-1 in ESRS 2 requires confirmation that for a consolidated sustainability statement, the same scope of consolidation has been used as for the consolidated financial statements. ESMA also notes that the information provided in the sustainability statement is extended to cover information on material IROs connected with the undertaking's value chain, as set out in ESRS 1. When the sustainability statements are subject to scope limitations with regards to entities in the value chain (see paragraph 133 of ESRS 1), ESMA stresses the need to be fully transparent and report on any consequences of such limitations. In addition, in case the scope of targets has evolved compared to the previous year, issuers should be transparent about any adjustment to the baseline of their targets.

Structure of the sustainability statement

Regarding the structure of the sustainability statement, and in line with its recommendations in the priority above, ESMA urges issuers to consider the usability and readability of the sustainability statement in line with paragraph 111 (b) of ESRS 1 which sets as a general objective for the presentation of the disclosures to facilitate access and understanding of the reported information.

A structure of the sustainability statement in four parts (General, Environment, Social, Governance) is prescribed by ESRS 1 but the ESRS also allow for some flexibility in the presentation of the different elements. Cross-referencing within the sustainability statement, for instance, can be used to avoid unnecessary duplication and emphasise connections among disclosures. However, issuers need to find a balance to ensure that the information is not excessively scattered as this would defeat the overall purpose of readability and clarity. Similar considerations are valid for the issuers using the possibilities for incorporation by reference mentioned in ESRS 1.

ESMA notes that a practical solution for issuers to increase the accessibility and readability of the sustainability statement while making use of the flexibilities allowed by the ESRS can be to include a reference to the Disclosure Requirement (e.g., "E2-5", "S1-5") when disclosing the related information. This way, the disclosures are complete and adapted to the future digital tagging of the information. ESMA also encourages the use of hyperlinks to facilitate internal references.

Connectivity to other parts of the issuer's corporate reporting

Finally, ESMA recalls that ESRS 1 requires issuers to illustrate the connections to other parts of their corporate reporting. In this regard, ESMA highlights the requirement in ESRS 1 regarding the monetary amounts or other quantitative information included in the sustainability statement that are also presented in the financial statements (direct connectivity).

⁴⁵ [ID 177 – Links between AR16 and Disclosure requirements](#).

SECTION 3: PRIORITY RELATED TO ESEF REPORTING

For the examination of 2025 annual financial reports that are subject to ESEF reporting requirements⁴⁶ containing consolidated financial statements, ESMA and enforcers will pay particular attention to the **following areas of common ESEF filing errors** found in the **statement of cash flows**. Issuers should holistically consider whether these common error areas impact the different line items when preparing and marking up their statement of cash flows in ESEF.

Correctness of mark-ups

RTS on ESEF, Annex IV, §3

→ IFRS taxonomy concepts in the statement of cash flows are misapplied due to misinterpretation of their scope or granularity (i.e., marking up “Net cash flow from operations” with a financing activity concept, or applying generic / parent-level tags to a specific sub-item, “Interest received” with a broad markup like *ifrs-full:CashFlowsFromOperatingActivities* instead of a more precise markup *ifrs-full:InterestReceivedClassifiedAsOperatingActivities*).

→ The markup does not fully reflect the line item’s meaning, often containing only part of the label or value (i.e., marking up the human-readable item “Depreciation and amortisation expense” with *ifrs-full:AdjustmentsForDepreciationExpense*, instead of *ifrs-full:AdjustmentsForDepreciationAndAmortisationExpense*).

Completeness and consistency of markups

RTS on ESEF, Annex II, §1, ESEF Reporting Manual⁴⁵, Guidance 1.8.1

→ ESMA still finds incomplete or inconsistent tagging of financial line items, especially for comparative periods or for numbers in a declared currency included in footnotes to the primary financial statements (i.e., the ESEF AFR is missing either human-readable AFR items in the notes related to the cash flow statement that should be marked up with a mandatory text block element per RTS on ESEF, or numerical items present in the human-readable primary financial statements, including those in footnotes and nil values shown as dashes or empty fields).

Structural, presentation and calculation correctness

RTS on ESEF, Annex III; ESEF Reporting Manual, Guidance 2.2.4, 2.4.1, 3.4.1, 3.4.6, 3.4.8

→ **Structure:** ESMA urges issuers to follow the technical construction rules in the RTS on ESEF and the ESEF Reporting Manual. Common errors include storing all linkbases in one file or using incorrect folder names (e.g., not using /taxonomies, /reports).

→ **Presentation:** A complete presentation tree should mirror the sequence of line items in the human-readable financial statements for easy navigation in XBRL software. Abstract elements must be used correctly (i.e., omitting a statement from the presentation linkbase or incorrectly tagging abstract grouping headers with values).

→ **Calculation:** To ensure a complete mathematical structure, all components of totals, including extensions, should be linked in the calculation linkbase. Relationships between totals and components are machine-readable only when calculation arcs are defined, and child concepts must carry correct signs. ESMA strongly encourages⁴⁶ using XBRL Calculations 1.1 to better support rounding and nested & summation relationships, reducing validation errors.

Additionally, all facts must appear in the XHTML report to ensure values, calculations, and breakdowns are both human and machine readable.

Extension taxonomy elements & anchoring

RTS on ESEF, Annex IV, §4, 4(a), 9(a), 9(b), ESEF Reporting Manual, Guidance 1.4.1, 1.4.2, 3.3.1, 3.3.2, 3.4.5

→ Unnecessary extensions often stem from unfamiliarity with the full IFRS taxonomy. Issuers should review the taxonomy thoroughly before starting the markup exercise (i.e., instead of creating *companyABC:ProceedsFromPPE* for “Disposal proceeds of investing PPE”, the issuer should use an existing core element like *ifrs-full:ProceedsFromSalesOfPropertyPlantAndEquipmentClassifiedAsInvestingActivities*).

→ Extension taxonomy elements must be anchored to an appropriate core taxonomy element. Incorrect anchoring can occur when issuers link extension elements to unrelated IFRS concepts just to meet technical requirements (i.e., anchoring *companyABC:ProceedsFromSaleOfSpecialAssets* in the cash flow statement to *ifrs-full:Revenue*, a profit and loss statement element).

→ When creating extension elements, the *xbrli:balance* attribute (debit or credit) must reflect the financial nature of the concept, even if the line-item value is nil (i.e., an outgoing payment with a debit attribute incorrectly shown with a negative sign, instead of correctly setting the balance attribute to credit).

→ Core taxonomy labels are duplicated just to match the wording in the human-readable financial statements, which can result in conflicting labels in the same language (i.e., using a shorthand “Provisions” label in a standard label role for *ifrs-full:AdjustmentsForIncreaseInOtherProvisionsArisingFrom PassageOfTime* conflicts with the official IFRS label. Instead, the issuer should retain the IFRS label in the standard label role and assign the shorthand to an alternative label role).

Signs, Scales & Numerical Representation

ESEF Reporting Manual, Guidance 1.6.1, 2.2.1, 2.2.2

→ Incorrect signs are applied to numerical line items in the primary financial statements, such as showing outgoing cash flows (e.g. interest paid) as negative values, contrary to ESEF taxonomy expectations.

→ The decimals attribute, which defines rounding precision, is often misused: either set to “0” when values are in thousands /millions, or left blank, resulting in unknown precision.

→ Scaling errors occur when values shown in thousands /millions in the human-readable statements are marked up in units that could result in a data misstatement.

⁴⁶ Regulatory technical standards (RTS) on ESEF: [Commission Delegated Regulation \(EU\) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council \(OJ L 143, 29.5.2019, p. 1\)](#).

⁴⁷ [ESEF Reporting Manual](#), updated 14 October 2025.

⁴⁸ The Calculation 1.1 specification has been included in the draft 2025 RTS on ESEF and will become mandatory to support improvements in data quality.

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.

Connectivity and consistency between financial and sustainability statements

- ESMA continues to call for consistency and connectivity between climate-related disclosures in financial statements and those in the sustainability or management report, as highlighted in previous ECEP⁴⁹. Furthermore, ESMA draws attention to **six near-final illustrative examples** published by the IASB one of which illustrating how financial and sustainability information may be connected⁵⁰. Whilst the examples use climate-related fact patterns, the principles and requirements illustrated apply equally to other areas of material uncertainties in financial reporting.

Considerations on IFRS financial and ESEF reporting

- ESMA reminds issuers of the **amendments to IFRS 9 and IFRS 7**, effective from 1 January 2026, covering: reporting on nature-dependent electricity contracts, often structured as **power purchase agreements**⁵¹, electronic **settlement of financial liabilities** and assessment of **contractual cash flow characteristics of financial assets**, including those with environmental, social & governance (ESG)-linked features⁵². Issuers should promptly analyse the potential impact on financial statements and disclose any material expected effects in their 2025 financial statements.
- ESMA urges issuers to start assessing the **impact of IFRS 18**⁵³ on financial statements, reporting systems and communications. Focus areas include aggregation/disaggregation principles, management-defined performance measures and the presentation of financial performance. To support early familiarisation and testing, ESMA has included the IFRS 18 taxonomy update in the draft 2025 RTS on ESEF⁵⁴ submitted to the EC. However, this update can only be used to mark-up annual financial reports after EU endorsement and official RTS on ESEF publication.
- Issuers should continue consulting the **ESEF Reporting Manual**⁵⁵ and its updates for guidance on improving ESEF data quality and useability across topics covered in this Statement and beyond.

Considerations on alternative performance measures (APMs)

- ESMA reminds issuers that APM definitions and calculations must be consistent over time⁵⁶. Caution is advised when adjusting or introducing **APMs solely to reflect geopolitical impacts** (e.g., tariffs). Issuers should ensure that APMs provide a **fair review** of the development and performance of the business and of the position of the issuer⁵⁷.

⁴⁹ [2024 ECEP](#), [2023 ECEP](#), [2022 ECEP](#), [2021 ECEP](#).

⁵⁰ Issued by IASB on 24 July 2025.

⁵¹ Issued by the IASB on 18 December 2024 (early application allowed).

⁵² Issued by the IASB on 30 May 2024 (early application allowed).

⁵³ Although not yet endorsed.

⁵⁴ [Final Report amending RTS on ESEF](#).

⁵⁵ [ESEF Reporting Manual](#), updated 14 October 2025.

⁵⁶ Paragraph 41 of the [ESMA Guidelines on APMs](#).

⁵⁷ See also Question 18 in [Q&A to ESMA Guidelines on APMs](#).