[European enforcers to focus on new IFRSs and non-financial information in issuers’ 2018 annual reports]

The 2018 enforcement priorities for IFRS financial statements, reflecting the relevance and magnitude of the change introduced by new reporting standards, and taking into account issues identified by NCAs through their enforcement activities, are:

· the application of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments,* for the first-time in the 2018 IFRS financial statements; and

· disclosure on the implementation and expected impact of IFRS 16 *Leases* coming into force in 2019.

In addition, the statement highlights the requirements to disclose non-financial information, with a focus on environmental matters, and specific aspects of ESMA’s Guidelines on Alternative Performance Measures.

Steven Maijoor, Chair, said:

“This year’s enforcement priorities focus on the new standards that are applied for the first time in annual financial statements: IFRS 15 and IFRS 9. These standards have introduced significant changes for the financial statements of many issuers, and ESMA expects them to provide sufficient level of transparency on the application of the new standards. In particular, issuers should focus on the application and recognised impact of the new accounting models for revenue recognition and for impairment of financial assets.

“Non-financial reporting, most notably on environmental matters, is gaining momentum in Europe, as part of a broader EU initiative to achieve a more sustainable financial system. To serve this purpose investors and the public need high-quality disclosures.”

2018 Enforcement Priorities

The enforcement priorities for IFRS financial statements in 2018 are:

· Specific issues relating to the application of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*: Issuers should in particular focus on identification and satisfaction of performance obligations, disaggregation of revenue and the disclosure of significant judgements related to recognition of revenue. For credit institutions, ESMA highlights the application of the new expected credit loss model (ECL) and, in particular, careful consideration and disclosure of significant inputs used in the assessment of a significant increase of credit risk and in the determination of ECL;

- Disclosure of the expected impact of the implementation of IFRS *16 Leases*: The publication of financial statements will happen after the entry into effect of IFRS 16 and all issuers should be in a position to disclose the expected impact. Issuers that will be significantly impacted are also encouraged to consider what information would enable analysts and other users to update their models.

In addition to these common enforcement priorities, ESMA highlights specific requirements relating to the sections of the annual financial report other than the financial statements (such as management reports and non-financial statements). These include specific requirements on:

- the disclosures of non-financial information, and notably those related to environmental and climate change-related matters; and

- the application of the ESMA Guidelines on Alternative Performance Measures (APMs).

Finally, ESMA highlights the importance of disclosures analysing the possible impacts of the decision of the United Kingdom to leave the European Union.

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. 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 2019 enforcement activities.