Market newsletter 1/2020

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Content

The Market Newsletter addresses topical matters concerning interpretations and regulation as well as supervisory findings relating to listed companies' disclosure obligation, financial reporting enforcement, securities trading and insider issues. The newsletter is published by the Financial Supervisory Authority's Capital Markets Supervision.

ESMA emphasises need for transparency in preparation of 2020 half-yearly reports

The importance of the information provided on the impact of the COVID-19 pandemic will be highlighted when listed companies prepare their 2020 half-yearly reports. For this reason, ESMA published on 20 May 2020 a public statement in order to promote transparency and consistent application of European requirements under the exceptional circumstances arising from the pandemic.

The importance of transparency in financial reporting increases as uncertainty grows. Companies should provide information on the actual and potential impact of the pandemic on their operations and financial position. The statement emphasises the importance of relevant and reliable information, even if this would require companies to delay the usual and planned publication of the half-yearly report.

Audit committee's oversight role highlighted

ESMA calls on audit committees to play an active role in overseeing financial reporting. In connection with the Financial Supervisory Authority's (FIN-FSA's) task of monitoring and assessing the performance of audit committees, the FIN-FSA also draws attention to the important role of audit committees as the highest level to monitor the quality and reliability of financial reporting.

In addition to risk areas, it would be important for audit committees to pay due attention to the judgments, estimates and forecasts used by management. Market uncertainty and the difficulty of forecasting increase the importance of management judgment. The need to use an external expert during the year may also be relevant, as the audit committee's independent view and expertise will play a key role. Controls on reporting processes will also be increasingly important.

The FIN-FSA encourages audit committees to engage in proactive and close dialogue with the auditor in addition to management and the board of directors. Dialogue with the auditor may assist audit committees in their own oversight role, but it will also assist the auditors in their challenging assurance role in the prevailing uncertainty. The auditor must state in the audit report for the full financial year if, in the opinion of the auditor, the company's half-yearly report has not been prepared in accordance with the provisions thereon.

Management report's description of COVID-19 impact, company measures and expected effects should be entity-specific

ESMA expects companies to provide detailed and entity-specific information in the management report of the half-yearly report about the impact that the COVID-19 pandemic has had on their strategic orientation and targets, operations, financial performance, financial position and cash-flows. Information on liquidity and financial position and the impact of the pandemic on supply chains and production is important information for investors to understand the effects. Measures taken by the companies to minimise the negative effects should also be described.

ESMA considers forward-looking information to be important for investors at this stage of the year. ESMA recommends that, where possible, estimates of the future impact of the pandemic be provided. Providing such information may be difficult, however, in the absence of reliable information in an uncertain market environment. In that case, the FIN-FSA considers that it is advisable to present a description of the estimated future development on the basis of the best information and insofar as such information is available at the time of preparation.

COVID-19 pandemic might require more detailed and extensive disclosures in the half-yearly report

For many companies, it is expected that the pandemic constitutes a significant event under paragraph 15 of IAS 34, which will require the information presented in the last annual financial statements to be updated with information concerning the pandemic. This may mean providing more detailed information and more extensive disclosures. *IAS 1 Presentation of Financial Statements* requires additional disclosures if giving a true and fair view so requires (IAS 1.17, IAS 1.31). The FIN-FSA also wishes to draw the attention of preparers of half-yearly reports to the list in paragraph 15B of IAS 34 of significant events and transactions for which updated information is required in the half-yearly report.

ESMA emphasises that companies should also assess the significance of material events after the reporting date and present information on them in the half-yearly report, as appropriate.

Increased management judgment should be reflected in half-yearly reports

Uncertainty about future development has increased significantly due to the COVID-19 pandemic, and this in turn will result in management exercising increased judgment in the preparation of interim reports. Such situations may relate to, for example, forecasts and impairments as well as the impact of new factors that were not current and did not require consideration at the balance sheet date or in the previous interim report. For some companies, the impact has been so severe that management will have to assess the existence of uncertainties related to the company's ability to continue as a going concern. It is to be expected that increased management judgment will be described in sufficient detail in the half-yearly reports to enable investors to understand which items have required such new management judgment and how management has exercised that judgment.

COVID-19 pandemic may increase financial risks – financial risk disclosures should be reassessed

The impact of the pandemic may cause or increase financial risks that did not affect the company or were not significant for the company in the financial statements for 2019. Paragraphs 15-15C of IAS 34 require additional information about significant changes and events related to the company's financing, such as new financial arrangements, breaches of covenants or significant impairments of financial assets, such as investments and loan and trade receivables. With regard to financial risks, the FSA recommends that companies consider providing additional disclosures based on the requirements of *IFRS 7 Financial Instruments: Disclosures* such as, for example, analyses and descriptions of liquidity risk and its management in accordance with IFRS 7.39.

Critical assessment of carrying amounts and assessment of the need for impairment

In many companies, increasing uncertainty and possible new sources of uncertainty will result in a critical assessment of the carrying amounts of assets and liabilities and in an increased risk of asset impairment. ESMA urges companies to update their assessments and forecasts made at year-end about the carrying amounts of assets and liabilities and to take into account in accordance with paragraph 125 of IAS 1 the requirement to provide information on major sources of estimation uncertainty arising from a significant risk of material adjustment to the carrying amounts of assets and liabilities. If there has been a change in the estimates, disclosures on their nature and amount should be made (IAS 34.16Ad).

In its statement, ESMA reminds companies they should assess on an ongoing basis whether there are any internal or external factors indicating impairment of non-financial assets (IAS 36.9 and IAS 36.12). In ESMA's view, the effects of the COVID-19 pandemic might for many companies constitute a strong basis to conclude that impairment indicators exist and that impairment testing should be carried out. Cash-flow uncertainty can be modelled using scenario analyses and related probability weightings.

The FIN-FSA recommends that companies assess carefully the assumptions used in the preparation of the sensitivity analysis of goodwill impairment testing and to disclose information on management judgment and the uncertainties associated with estimates. The uncertain economic situation and the difficulty of forecasting may suggest that the scale of reasonably possible changes in the key assumptions used in half-year report impairment testing will be larger than usual. The FIN-FSA reminds companies that when a reasonably possible change in a key assumption would cause the carrying amount of a cash-generating unit to exceed its recoverable amount, the disclosures should include all information in accordance with IAS 36.134 (f) (i)-(iii). Companies are urged to pay attention to sensitivity analyses' conformity with standards also when they disclose so-called voluntary sensitivity analysis data.

ESMA statement on the application of IFRS 9 Financial instruments particularly in credit institutions

In the preparation of half-yearly reports, companies should also take into account the ESMA public statement of 25 March 2020 on the application of IFRS 9 in the exceptional circumstances caused by the pandemic. ESMA's position concerns the calculation of expected credit losses. The statement's guidance also applies to companies other than credit institutions. In any assessment of a significant increase in credit risk and the assessment of expected credit losses, companies should pay attention to the exceptional temporary circumstances in which forward-looking information may not be reliable or available.

In preparing the half-yearly report, credit institutions are faced with a number of implementation issues that require significant judgment, to which it is also necessary to apply the principles of ESMA's new statement.

ESMA expects more disclosures on assessment of ability to continue as a going concern

When financial statements are prepared on a going concern basis, management may be aware of material uncertainties that might cast significant doubt upon the company's ability to continue as a going concern. In that case, the company must present these uncertainties in its financial statements in accordance with paragraph 25 of IAS 1. If management has had to exercise significant judgment in determining that the company has no material uncertainties regarding ability to continue as a going concern, the company must disclose this judgment in accordance with paragraph 122 of IAS 1. In addition, ESMA expects companies most significantly impacted by COVID-19 to provide disclosures on the assessment of their ability to continue as a going concern as well as the related underlying judgments. An example of this could be significant additional financing required by the company due to the pandemic.

One of the FIN-FSA's areas of focus in previous years has been the financial reporting of companies in a weak financial situation. Currently, a number of companies may find themselves in such a situation, so the FIN-FSA's earlier recommendations may be useful, even though they do not contain the special characteristics brought about by the exceptional situation. In the view of the FIN-FSA, information disclosed on ability to continue as a going concern should be presented together under its own heading, and the information should be sufficiently detailed. The FIN-FSA also considers it important that the company presents a justified conclusion as to why compliance with the principle of ability to continue as a going concern is appropriate, despite the threats. The company should also remember to document any analysis and conclusions it makes for the auditor's assurance work and possibly also for the supervisor. Further communications and recommendations of FIN-FSA are also available, for example in

- article Epävarmuus toiminnan jatkuvuudesta – tärkeää sijoittajainformaatiota in Market newsletter 2/2012 (in Finnish)
- article Laadukas tilinpäätösinformaatio tukee yhtiötä sen heikossa taloudellisessa tilanteessa Market newsletter 3/2014 (in Finnish)
- presentation for 2014 event for listed companies Tilinpäätösinformaatio yhtiön heikossa taloudellisessa tilanteessa (in Finnish), and in
- ESMA's Database of Enforcement Decision (EECS/0215-04) on information to be disclosed in interim reports.

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European Securities and Markets Authority statements on financial reporting published and national measures due to COVID-19 pandemic

ESMA statements

The European Securities and Markets Authority (ESMA), together with national supervisors, has closely monitored the development of the pandemic and its impact on EU financial markets. ESMA aims to react promptly to emerging challenges and has published a number of statements. ESMA's statements address the timely disclosure of inside information, compliance with deadlines, the application of the requirements of the financial instruments standard, the content of half-yearly reports, and alternative performance measures.

On 20 May 2020, ESMA published its latest statement on the issues to be considered when preparing half-yearly financial reports in these special circumstances. With the statement, ESMA seeks to promote both the presentation of relevant information to support investment decisions and the consistent application of requirements. The position is described in more detail in the article on half-yearly financial reports in this Market newsletter.

There follows a list of links to Financial Supervisory Authority (FIN-FSA) or ESMA releases related to the ESMA statements mentioned above.

- FIN-FSA newsletter of 18 March 2020 on an ESMA statement in which ESMA reminds issuers of their disclosure obligation under Article 17 of the Market Abuse Regulation. Issuers must continue to make public any relevant inside information to the market as soon as possible. The financial reports must present in a transparent manner information about the actual and potential impacts of the pandemic on the company's operations and financial position.
- FIN-FSA news release of 27 March 2020 on an ESMA statement on the impact of the COVID-19 pandemic on the deadlines for publishing financial reports under the Transparency Directive.
- FIN-FSA news release of 1 April 2020 on an ESMA statement on the calculation of expected credit losses in accordance with IFRS 9 *Financial Instruments* in the exceptional circumstances caused by the pandemic. The statement is also applicable to the IFRS reporting of companies other than credit institutions. In the assessment of a significant increase in credit risk and the assessment of expected credit losses, attention should be paid to the temporary exceptional circumstances, where forward-looking information is not reliable or available.
- ESMA's Q&A of 17 April 2020 on taking into account the impacts of the COVID-19 pandemic when preparing alternative performance measures.

IASB proposes a practical expedient to IFRS standard on leases for the treatment of rent concessions granted due to the COVID-19 pandemic

The IASB has published a proposed amendment *COVID-19-Related Rent Concessions* to IFRS 16 *Leases* according to which rent concessions granted to lessees as a direct consequence of COVID-19 pandemic containment measures would not need to be treated as lease modifications (IFRS 16.44-46).

In a comment letter sent to the IASB, ESMA welcomes the proposal on a practical expedient and accompanying disclosures. ESMA states, however, that the IASB's proposal to limit the timeline of application only to lease payments originally due in 2020 might be overly restrictive. ESMA proposes that the practical expedient would apply to all COVID-19-related rent concessions granted in 2020 provided that they occur by end of Q2/2021. ESMA also hopes that the proposed amendment would be supplemented by examples provided in Agenda Paper 32B (2) and that the IASB would explicitly clarify that a rent concession is a (negative) variable payment to which paragraph 38 of IFRS 16 is applicable and that, consequently, the amount is not included in the lease liability. The FIN-FSA considers that IASB's proposed amendment does not currently have major and broader significance for Finnish companies.

- IASB's ED/2020/2
- ESMA's comment letter to IASB

National measures to address listed companies' COVID-19 pandemic challenges

A Government bill on temporary derogations from the Companies Act, the Housing Companies Act, the Associations Act and certain other corporate entity acts to contain the spread of the COVID-19 pandemic were approved by Parliament on 30 April 2020, and the act became applicable from 1 May 2020. The two main aspects of the act are that annual general meetings of shareholders can be held up to the end of September 2020 and that the annual general meeting of a listed company can, by decision of the company's Board of Directors, be held as a remote meeting, in which shareholders participate by advance voting or otherwise by participating remotely or using a representative.

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Latest on prospectus requirements

Amendments to Prospectus Regulation entered into force on 31 December 2019

The amendments to the Regulation[1] extended, among other things, opportunities to use the secondary market and growth market prospectuses referred to in Articles 14 and 15 of the Prospectus Regulation and clarified requirements for certain prospectus exemptions by which issuers may be exempted from publishing a prospectus. The clarifications concern prospectus exemptions related to takeover bids, mergers or divisions.

It should be noted that in the Helsinki First North marketplace the use of a secondary market prospectus is currently restricted by the fact that the trading venue has been registered as an EU growth market on 1 September 2019. The use of a secondary market prospectus requires, among other things, that the issuer's securities have been admitted to trading on a regulated market or an EU growth market for at least 18 consecutive months.

A consolidated version of the Prospectus Regulation is available on the EUR-Lex website.

ESMA's interpretations related to prospectus regulations

ESMA has stated that the *Q&As on Prospectus-Related Topics* (ESMA31-62-780), issued earlier during the repealed Prospective Directive, will be in force, where applicable, until 21 July 2020. Thereafter, all of ESMA's interpretations related to prospectus regulations can be found in the document *Q&As on the Prospectus Regulation* (ESMA31-62-1258), which is currently being updated as new interpretations are issued. ESMA last issued new interpretations on 18 February 2020.

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[1] *Regulation (EU) 2017/1129 of the European Parliament and of the Council.*

Interpretation questions can be submitted to ESMA by electronic form

ESMA has introduced an electronic form by which market participants may send it interpretation questions related to regulations (the form does not apply only to prospectus regulations). The form can be found in the *Questions and Answers* section of ESMA's website. ESMA also publishes the questions it receives and provides information on their consideration process (including information about the fact that an interpretation question is not taken for consideration or that it is referred to the Commission).

ESMA is updating its recommendations on the presentation of prospectus financial information

ESMA is updating its Guidelines issued during the old prospectus regulations, i.e. *ESMA update of the CESR recommendations: The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive*, which includes recommendations particularly on the presentation of financial information in a prospectus. ESMA published a consultation paper on the draft Guidelines[2] in autumn 2019. The new updated Guidelines and their translations into the official languages of all Member States are expected to be completed in autumn 2020.

The FIN-FSA will include ESMA's updated Guidelines in the FIN-FSA's Regulations and guidelines 9/2019 *Presentation of information in prospectuses coming under the Prospectus Regulation* when the language versions of the Guidelines have been published. These regulations and guidelines already include Guidelines previously issued by ESMA on the presentation of risks in prospectuses.

Data to be collected on approved prospectuses for report to be published annually

In the future, in accordance with Article 47 of the Prospectus Regulation, ESMA will publish annually a report and statistics on prospectuses approved in the EU. For the preparation of the report, ESMA will collect data on approved prospectuses and supplements to prospectuses, as further specified in Annex VII to Commission Delegated Regulation (EU) 2019/979.

According to current information, data collection will start in November 2020, at which time national supervisors should have the capacity to report the data to ESMA. These data will not be collected retrospectively for prospectuses approved prior to the commencement of data collection. When reporting begins, the FIN-FSA will request more information than at present from those who have requested approval of a prospectus when they submit the approved prospectus or its supplement to the FIN-FSA's register of prospectuses.

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[2] Draft Guidelines on disclosure requirements under the Prospectus Regulation (ESMA31-62-1239).

ESMA extensively reviewed the use of alternative performance measures – ESMA encourages an improvement in transparency

Led by ESMA, European supervisors reviewed which alternative performance measures (APMs) European listed companies are presenting and how they comply with ESMA Guidelines on APMs[3]. The study covered the 2018 management reports of 123 listed companies and the 2018 annual earnings releases (ad-hoc disclosures) of 106 listed companies. The presentation of APMs in primary financial statements was also assessed. The sample of the study included three Finnish listed companies.

APMs are presented extensively. ESMA's findings show that listed companies comply with the Guidelines well with regard to comparatives, consistency and unbiased presentation of APMs. Shortcomings were identified in explaining the use of APMs, in presenting reconciliations and definitions, and in identifying APMs. Companies' compliance with the Guidelines is better in management reports than in earnings releases. The application of the Guidelines was not assessed for financial statements as the ESMA Guidelines do not apply to APMs presented in financial statements. ESMA encourages listed companies to assess the usefulness of presenting APMs. This is particularly relevant when the entity is unable to provide an entity-specific explanation of how and for what purpose a particular APM is used.

In its supervision, the FIN-FSA has made corresponding observations on the presentation of APMs.[4] Compliance with the ESMA Guidelines will improve the comparability, reliability and comprehensibility of APMs, thereby contributing to investor protection. Performance measures are an essential element of a listed company's investor information, and for this reason it is important to take entity-specific factors into account both in selecting performance measures and in their consistent, unbiased and clear presentation. The FIN-FSA encourages listed companies to familiarise themselves with ESMA's review and the conclusions and recommendations presented within it.

APMs are widely used

The use of APMs is extensive in all sectors and among listed companies of all sizes. The review identified 385 different types APMs. APMs are presented in management reports, earnings releases and in IFRS primary financial statements. The APMs presented in the financial sector differ from the APMs presented in the non-financial sector. The following observations concern APMs in the non-financial sector; observations on financial sector APMs can be found in more detail in the ESMA report.

Listed companies presented, on average, 16 APMs in management reports and 12 APMs, on average, in earnings releases. There was significant variation between listed companies, however: for example, in management reports, the number might range from less than ten to nearly 40 APMs. Most APMs related to the statement of profit and loss. Most APMs were presented by listed companies whose revenue was EUR 5–25 billion, and least APMs by small listed companies with revenue of less than EUR 250 million.

[3] *Alternative Performance Measures (ESMA/2015/1415) https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf*
[4] *For more detail, see Market newsletters 1/2019 and 4/2017.*

Figure 1. By sector, number APMs presented in management reports and ad-hoc disclosures (earnings releases)

Sectors/ Document	APMs in MR				APMs in Ad-hoc disclosures				Average MR/Ad-hoc discl.
	N. APMs	N. Issuers[1]	Average	St. Dev	N. APMs	N. Issuers[2]	Average	St. Dev	
A- Communications	110	8	14	5.47	65	6	11	3.80	12
B- Consumer Discretionary	187	12	16	6.59	104	11	9	7.09	13
C- Consumer Staples	184	13	14	7.51	162	12	14	6.12	14
D- Energy	335	20	17	6.12	230	18	13	9.40	15
E- Financials	369	22	17	8.04	268	19	14	7.59	15
F- Health Care	202	11	18	7.92	108	9	12	6.60	15
G- Industrials	234	16	15	7.02	152	13	12	7.28	13
H- Materials	105	8	13	8.22	80	7	11	7.58	12
I- Technology	101	7	14	5.39	67	5	13	7.06	14
J- Utilities	82	6	14	5.47	65	6	11	6.31	12
Total	**1,909**	**123**	**16**	**7.19**	**1,301**	**106**	**12**	**7.50**	**14**

[1] 2018 annual management report was analysed in this study

[2] 2018 annual earnings resualts ad-hoc disclosure was analysed in this study

Source: ESMA

Figure 2: By market capitalisation, number APMs presented in management reports and ad-hoc disclosures

Market Capitalisation/ Document	APMs in MR				APMs in Ad-hoc Disclosures				Average MR/Ad-hoc discl.
	N. APMs	N. Issuers[1]	Average	St. Dev	N. APMs	N. Issuers[2]	Average	St. Dev	
A - < EUR 250 million	74	7	11	5.75	41	6	7	4.98	9
B - Between EUR 250 and 750 Million	156	10	16	7.94	102	10	10	7.87	13
C - Between EUR 750 Million and EUR 5 Billion	302	23	14	6.47	193	21	9	5.42	12
D - Between EUR 5 Billion and 25 Billion	365	19	17	7.13	243	15	16	7.19	17
E - Between EUR 25 Billion and 50 billion	557	32	19	7.59	401	31	13	8.45	16
F - > EUR 50 Billion	455	32	13	5.54	321	23	14	6.09	14
Total	**1,909**	**123**	**16**	**7.19**	**1,301**	**106**	**12**	**7.50**	**14**

[1] 2018 annual management report was analysed in this study

[2] 2018 annual earnings resualts ad-hoc disclosure was analysed in this study

Source: ESMA

The ESMA report handles non-adjusted APMs and adjusted APMs separately. The most commonly presented non-adjusted APMs were

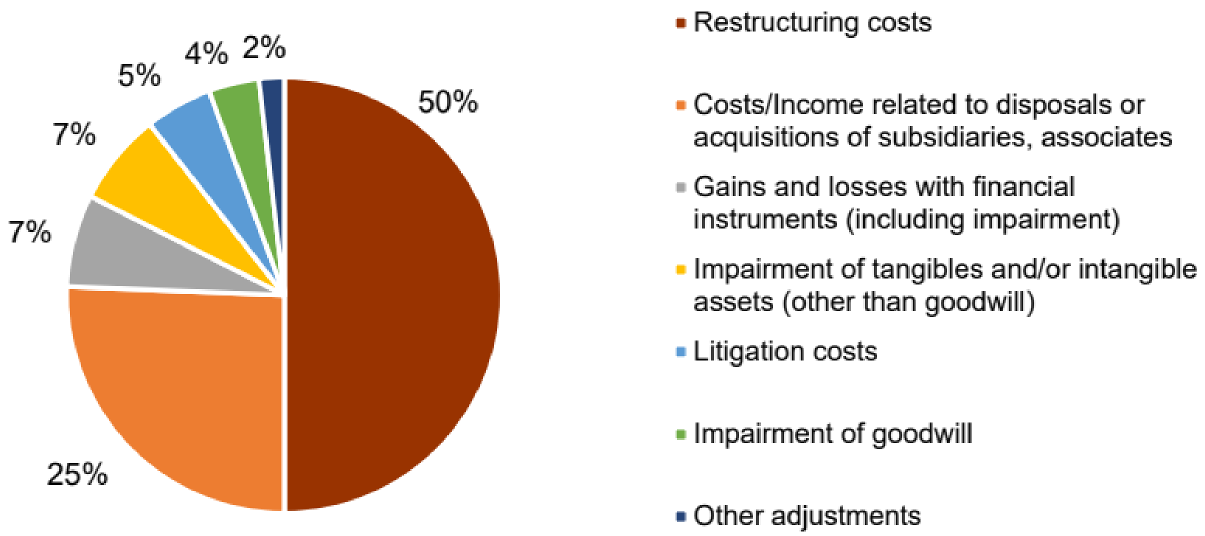
- operating profit, EBITDA, organic growth and gross profit (statement of profit and loss)
- net debt and net debt/EBITDA (statement of financial position) and
- capex and free cash flow (statement of cash flows).

Around one third of the APMs presented were adjusted. Listed companies presented, on average, nine adjusted APMs in their management reports and six adjusted APMs in their earnings releases. The most commonly presented adjusted APMs were

- adjusted operating profit, adjusted net profit, adjusted EBITDA and adjusted EPS (statement of profit and loss)
- adjusted net debt/EBITDA and adjusted net debt (statement of financial position) and
- adjusted free cash flow (statement of cash flows).

The same APMs were presented in the management reports and the earnings releases. Of the listed companies, 16% also presented adjusted operating profit in the statement of profit and loss. ESMA's sample included companies that reported more than one operating profit, adjusted by different items. The most common adjustments to operating profit relate to restructuring costs (half of adjustments) and costs or income related to acquisitions or disposals of subsidiaries and associates (a quarter of adjustments). In most cases, adjustments related to cost items, as a result of which adjusted APMs often give a more positive picture of a company's performance than IFRS measures, subtotals included inside financial statements or non-adjusted APMs. This finding is consistent with other studies on APMs. According to ESMA's assessment, however, the APMs included in this study were mainly neutral; ESMA found only a few biased APMs, i.e. for example APMs for which only cost items had been adjusted in a situation where corresponding income items were not adjusted.

Figure 3: Most common adjustments made to operating profit (EBIT)



Source: ESMA

ESMA also draws attention to the fact that the labels of APMs describing earnings performance or financial position varied, which is precisely due to the fact that few performance measures are defined in IFRSs. For example, the study found more than seven labels used to depict a similar performance measure to EBIT and six labels used to depict a similar performance measure to net debt. Most often the terminology "recurring/non-recurring", "underlying" or "core" was used for adjusted APMs. Some listed companies marked APMs presented in primary financial statements with the additional term "reported" in management reports or earnings releases. ESMA considers that such marking helps investors understand that that the APM in question is one presented in the financial statements.

ESMA also encourages listed companies to indicate the performance measures that the listed company presents in accordance with European or national legislation, for example in the financial sector prudential ratios, which are not within the scope of ESMA Guidelines. This allows investors to distinguish clearly between standardised measures prepared pursuant to regulations and measures developed by the company itself.

Compliance with ESMA Guidelines varies – room for improvement in complying with several principles

The ESMA Guidelines include eight main principles. In the study, ESMA assessed compliance with all of these main principles:

- definitions of APMs
- biased/unbiased APMs
- labels
- reconciliations
- explanations on usefulness
- prominence
- presentation of comparatives and
- consistency.

Out of 123 listed companies, only 16 fully complied with the APM Guidelines in their management reports, and only 10 listed companies out of 106 fully complied in their earnings releases (ad-hoc disclosures). All of the listed companies, however, partially complied with the Guidelines, either by applying the Guidelines in full for some APMs or applying some of the principles of the Guidelines in relation to all APMs. Large listed companies complied with the Guidelines better than smaller companies. ESMA notes that, in some cases, full compliance was not achieved due to misapplication of the definition of an APM or because all APMs were not identified.

Definitions missing or not sufficiently clear

Of the listed companies in the sample, only around 40% disclosed a definition for all of the APMs they used. The definitions presented were not in all respects clear and appropriate. Definitions are important because they allow investors to understand the adjustments made to IFRS financial statement items or to non-adjusted APMs. Definitions should describe all components of a specific APM. If, for example, the general term “non-recurring items” is used for the adjustment items of an APM, or the content is not more precisely specified, ESMA considers that the definition does not comply with the Guidelines. According to ESMA, a definition for APMs should also be presented, even in the case of a commonly used APM, such as EBITDA.

Labels of APMs should reflect their content

The study revealed that APMs were labelled in such a way that the label of the APM did not describe its content, for example adjusted operating profit was presented as operating profit. Some APMs, on the other hand, were labelled in such a way that the label was the same or misleadingly similar to that in IFRS terminology: for example, the company presented as an APM cash flow from operations, which did not, however, correspond to the subtotal presented in the statement of cash flows in accordance with IAS 7. ESMA estimates that just over 70% of listed companies presented all APMs labelled in accordance with the principles of the Guidelines.

According to ESMA, particular attention should be paid to situations where components of APMs are labelled as non-recurring. ESMA refers to paragraph 25 of its Guidelines, according to which items that affected past periods and will affect future periods will rarely be considered as non-recurring, infrequent or unusual. ESMA challenges listed companies to assess situations where performance measures are adjusted by items related to restructuring. Restructurings are often repeated regularly or cyclically, and business adjustment in a competitive environment is generally essential. Without a justified explanation, it is unclear why such items would not be part of the ordinary course of business. ESMA further notes that instead of adjusted performance measures, listed companies could present, together with items derived the IFRS financial statements and non-adjusted performance measures, an explanation of the factors that have affected, for example, the listed company's performance.

Explanations of the use APMs should be entity-specific

According to ESMA's Guidelines, listed companies should explain what APMs are used for. Of the listed companies in the study's sample, around half provided an explanation for all or at least half of the APMs used. Around half of the explanations were not informative. According to ESMA, such situations where the explanations provided were considered not to be informative included generic references to the use of APMs to assist management in assessing the performance of the company, without providing a detailed explanation as to why, how and when certain specific APMs were used, or where presentation was justified by referring the use of certain APMs with a given sector.

ESMA urges listed companies to reconsider the use of APMs if the listed company does not use them to describe the company's performance or if the company does not give an entity-specific justification as to how and why a particular APM is useful for investors. The same applies to a situation where a large number of APMs are presented or a listed company uses several APMs of a similar nature.

Room for improvement in presenting reconciliations

Very often, a reconciliation was not provided at all or was inadequately prepared. Such a situation arose, for example, when material reconciliation items were not identified or material reconciliation items were not directly extractable or observable from financial statements. A reconciliation for all APMs was presented in management reports by 50% of listed companies and in earnings releases by 41% listed companies. ESMA recommends that reconciliations be presented in table form.

ESMA report also found positive results

About two thirds of the listed companies in the sample applied the ESMA Guidelines' principle of prominence. According to ESMA, the principle of prominence was not complied with, for example, when the listed company mainly described its performance using APMs without including a reference to figures stemming from the IFRS financial statements, or if most or all of the financial figures in the key highlights or headings of earnings releases are APMs. ESMA Q&A 9 includes example situations that help listed companies assess whether APMs are displayed with prominence.

According to the ESMA report, listed companies complied quite well with the principles related to presentation of comparatives and consistency. Companies applying for an IPO for the first time should be consistent in presenting APMs to be included in listing prospectuses and thereafter in regular financial reports.

In concluding its report, ESMA notes that disclosing APMs in a single section in each document might enhance the communication of them, particularly if the listed company's disclosure of APMs is extensive and spread over long documents. The ESMA Guidelines do not, however, express a view on where the data should be disclosed.

APMs in prospectuses

ESMA also collected supervisors' observations on the use of APMs in prospectuses. Supervisors reported that companies have had the most difficulty in applying the principles of explanation, reconciliation and prominence related to APMs.

Report and additional material on interpreting the Guidelines available on ESMA's website

More detailed analyses can be found in the December 2019 report, which is available on ESMA's website[5]. The website also has Questions and Answers[6] on APMs, published by ESMA (last updated in April 2020). Although only regulated information and prospectuses are covered by ESMA's Guidelines, ESMA encourages listed companies also to apply the Guidelines to other investor communications, for example in analyst presentations, marketing material and press releases.

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New Q&A interpretation from ESMA on disclosure of APMs in the context of COVID-19 pandemic

ESMA issued a new interpretation of the disclosure of APMs: *"Question 18: Application of the APM Guidelines in the context of COVID-19"*. The interpretation concerns how the Guidelines on APMs should be applied if a company intends to adjust its previously disclosed APMs or to disclose new APMs to communicate the effects of the pandemic. ESMA emphasises the principles of the APM Guidelines and reminds companies that the definition and calculation of an APM should be consistent over time. When the pandemic has a pervasive effect on the financial performance, position and cash flow data reported by a company, ESMA observes that it may not be appropriate to disclose new or adjusted APMs in this situation.

The FIN-FSA is not aware that in Finland companies are disclosing in their financial reporting APMs adjusted for the effects of the pandemic. In Europe, there has been discussion in some markets about the disclosure of such APMs. The FIN-FSA recommends that companies, in accordance with the position outlined in ESMA's Q&A, primarily improve disclosures and include information about past and anticipated effects of the pandemic on operations and performance, the related uncertainties, and the measures taken or expected to be taken as a result of the pandemic.

The new interpretation is available on ESMA's website.

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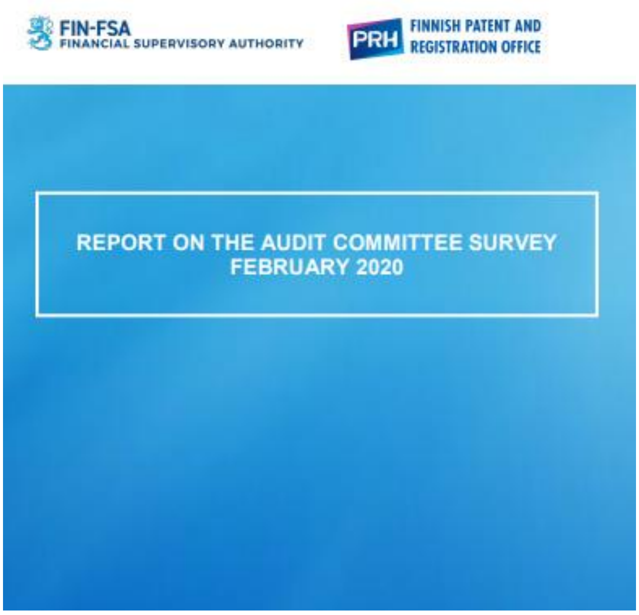
[5] *Report on the use of Alternative Performance Measures and on the compliance with ESMA's APM Guidelines https://www.esma.europa.eu/sites/default/files/library/esma32-334-150_report_on_the_thematic_study_on_application_of_apm_guidelines.pdf.*
[6] *Questions and answers ESMA Guidelines on Alternative Performance Measures (APMs) https://www.esma.europa.eu/sites/default/files/library/esma32-51-370_qas_on_esma_guidelines_on_apms.pdf.*

Report on Audit Committee Survey published – importance of audit committees’ tasks underlined in current market situation

The EU Audit Reform strengthened the role of audit committees, as many requirements that had previously been seen as best practice are now enforceable law. At least one member of the audit committee must have competence in accounting and/or auditing. In the current market situation, the importance of audit committees’ expertise is underlined as companies assess the impact of the COVID-19 pandemic on financial reporting. ESMA’s latest statement on the preparation of half-yearly reports also considers the involvement of audit committees in the process to be important.



The Financial Supervisory Authority (FIN-FSA) and the Finnish Patent and Registration Office (PRH) together carried out an EU-level Audit Committee Survey in 2019. The survey was addressed to the audit committees, and to boards handling audit committee tasks, of public interest entities (listed companies, credit institutions and insurance companies).

The report provides a summary and analysis of the 122 responses as well as direct quotations from them. In addition, references to related literature can be found on each subject area of audit committee tasks. Based on the results of the survey, the FIN-FSA and the PRH wish to draw attention to, among other things, the fact that the more enhanced role of audit committees, new tasks and the increased complexity of financial reporting require strong competence in accounting and auditing.

A news release and the report are available on the FIN-FSA website. The website also has presentation material from the audit committee event held in September 2019.

The activities of audit committees in the current exceptional circumstances are highlighted in the following recent publications:

- Listed companies audit committees must oversee processes also in exceptional circumstances (Directors' Institute Finland - in Finnish)
- Why Audit Committees Are So Important During the COVID-19 Crisis (National Association of Corporate Directors)
- Implications for Audit Committees Arising from COVID-19 (International Federation of Accountants).

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Listed companies’ digital financial statements coming soon

European listed companies (issuers of shares and bonds operating in regulated markets) will soon have to publish their annual financial reports in the electronic xHTML format instead of the previous PDF format. The XBRL tags included in xHTML documents will make the financial statements structured. xHTML is both human-readable and machine-readable at the same time. With reporting in structured format, new technologies can be used more effectively in data analysis.

The requirements of the new electronic reporting format are based on the ESEF regulation (ESEF=European Single Electronic Format). Under the ESEF regulation, the annual financial report (AFR) will be an xHTML document in which the financial statements will be marked up with XBRL tags. According to the current schedule, ESEF reporting will begin in stages, starting with the annual financial report for 2020. Due to the COVID-19 pandemic, the Commission is considering a change in the implementation schedule. In the absence of further information on a possible new schedule, it is recommended to continue practical implementation plans and arrangements according to the existing schedule.

The FIN-FSA wishes to support listed companies and other parties in the proper implementation of ESEF. There are still many issues related to the ESEF that require further clarification from, among others, reporting companies, auditors, legislators, central storage facility maintainers (Officially Appointed Mechanism, OAM) and supervisory authorities. The article includes information on the publication of the ESEF-format annual financial report, the validation of information, ESEF Guidelines already issued and to be issued by ESMA, information on companies’ preparedness for ESEF, as well as the assurance of ESEF reports. Further information can be found on the FIN-FSA website.

Publication and dissemination of annual financial report

The ESEF regulation apply to the annual financial report (AFR) in accordance with the Transparency Directive and the Commission Regulation. In national legislation, the terminology financial statements and management report (*tilinpäätös ja toimintakertomus*) is used for the said document (AFR). The terms ESEF financial statements or ESEF-format financial statements may also be used in this article. It is for companies themselves to determine whether to include only the financial statements and management report in the xHTML-format report referred to in the ESEF regulation or also other regulated information, such as the corporate governance statement and non-financial information, or other voluntary information.

The ESEF regulation will not change the publication schedule of the annual financial report nor the dissemination of the regulated information in question. In accordance with the requirements of chapter 10, section 3 of the Securities Markets Act, the ESEF-format annual financial report shall be disseminated to the key media, made available on the company’s website and filed with the Officially Appointed Mechanism (OAM). ESEF regulation in Finland apply to the Finnish- or Swedish-language annual financial report.

The currently used PDF-format report containing the annual financial report (financial statements and management report) does not therefore meet the requirements of the ESEF regulation nor the disclosure and distribution requirements of the Securities Markets Act. The ESEF regulation does not, however, prohibit the presentation of PDF-format reports alongside xHTML format reports, for example on the company’s own website or in the OAM. If such reports are presented, however, it is recommended the company make clear from the context that the document is non-ESEF regulated information.

National central data storage (OAM)

Every European Union country has its Officially Appointed Mechanism (OAM), a central storage facility where companies file regulated information. In Finland, the OAM is maintained by the stock exchange (Nasdaq Helsinki Ltd). National OAMs have their own technical solutions for storing information and keeping it available.

At the European level, there has been much discussion about either linking the different OAMs to form a pan-European portal or even converting them into a single storage facility. The issue is being discussed at the High Level Forum (HLF) on Capital Markets Union. The outcome of these discussions is not yet known in detail, but it is highly likely that any recommendations from the HLF will not be implemented before ESEF reporting begins in early 2021.

Taxonomy and anchoring

ESMA has published ESEF 2019 taxonomy files for the use of companies and software suppliers. When companies for the first time report ESEF financial statements for 2020, they may choose to use the 2019 ESEF taxonomy published by ESMA or the 2020 taxonomy to be published at the end of the year. In the reporting of subsequent years, XBRL tagging must be updated for the comparison years to correspond to the version of the ESEF taxonomy applied by the company at the time in question.

In addition to the ESEF taxonomy, companies will have to use and create their own extensions to the taxonomy if they cannot find in the ESEF taxonomy an accounting meaning that describes the content of a line sufficiently well. Extensions, however, must be anchored to the closest accounting meaning of the ESEF taxonomy. The use of extensions reduces the comparability of XBRL-format information between different companies, but is necessary in certain situations to achieve sufficiently accurate tagging.

Validation of ESEF information

For information in ESEF format to be usable and useful to its users, it must be of high quality. Various validation measures are required to ensure quality. In principle, the technical and content validation of ESEF reports should take place at the sources of the information, i.e. in the listed companies, before the information is disseminated. Software suppliers used by companies should include in their ESEF software the validation rules defined by ESMA. XBRL Finland[7] provides an open API for XBRL validation, which is based on the open source code Arelle software (in Finnish). Companies may also utilise Arelle or other corresponding software in their own environment.

In many countries, national OAMs carry out validation of information, but in a number of countries current legislation does not require validation measures of OAMs. In addition to the companies, the natural bodies for carrying out technical validations would be the distribution service providers used by the companies. The FIN-FSA is developing its own validation tools for its own supervisory work.

[7] XBRL Finland (in Finnish) is a consortium, operating under the international XBRL organisation, whose main goal is to introduce to Finland XBRL (eXtensible Business Reporting Language) for the presentation of companies' financial information, and to actively promote its introduction for various reporting needs, such as reporting of financial statements information and tax returns. XBRL Finland is a cooperation forum for approximately 20 companies and public sector organisations. TIEKE acts as the facilitator and coordinator of the consortium. Operating in connection with the consortium are eight different working groups, which promote the common goals of the consortium in their respective fields. The membership of the working groups consists mainly of representatives of the members of the consortium.

Software suppliers at the heart of ESEF implementation – ESMA publications to support software suppliers and companies

Software suppliers have an important role in the implementation of ESEF. The market offers software and services that vary in terms of their comprehensiveness; the spectrum is wide, ranging from large open source tagging software to more extensive disclosure management applications.

On 23 March 2020, ESMA published the ESEF Conformance Suite to facilitate the introduction of ESEF. The suite allows companies and software suppliers to test whether software they acquire or develop for ESEF meets ESEF requirements.

During the spring or early summer, ESMA will publish more test and example material to support the implementation of ESEF, such as a model of an ESEF-compliant iXBRL package (zip file) that includes xHTML files.

In addition, ESMA intends to update the ESEF Reporting Manual in summer 2020. This provides companies and particularly software suppliers important practical guidance, including instructions for including images in the reporting package. ESMA will publish updated taxonomy files every year.

Tools are needed to read XBRL tags

The xHTML files reported by companies will always be readable by the human eye in a browser, as long as the files are technically sound. In addition, information users will be able to see the XBRL tags embedded in the xHTML files if they have a separate viewing program, an iXBRL viewer. Some of these viewers are freely available to everyone, i.e. they are open source programs. Those who use structured XBRL-format financial statements in their analyses will need to obtain the necessary tools to access the XBRL-format information. An iXBRL viewer alone will not be sufficient. Reporting companies, on the other hand, will use specialised software to make XBRL tags.

Statutory financial statements and assurance of ESEF financial statements

The Transparency Directive requires companies to prepare the annual financial report in electronic reporting format from 1 January 2020. The Directive has been implemented in the Securities Markets Act, however, such that chapter 7, section 5 requires listed companies to publish the annual financial report (AFR translated into Finnish: financial statements and management report, tilinpäätös ja toimintakertomus) in accordance with the Commission's Regulatory Technical Standard.

The implementation of the Directive has been realised in different ways in different countries. The preparation and publication of the ESEF annual financial report, and the status of the ESEF financial statements as statutory financial statements, are under review by legislators in a number of countries. With regard to the problematics of statutory financial statements (financial statements and management report), there are also a number practical issues to be resolved in Finland, such as electronic signatures, assurance and its reporting, and the submission of documents to the Trade Register. The EU Commission is preparing interpretative guidance on the assurance of ESEF financial statements, which might also clarify other issues. The Commission's interpretative guidance is not, however, expected until the latter part of the year.

FIN-FSA considers that it will be possible to resolve the above-mentioned outstanding issues in the first year of the implementation of the ESEF on the basis of existing Finnish national legislation without legislative amendments. The FIN-FSA considers that it will be possible to jointly agree operating practices, thereby avoiding unnecessary uncertainty for operators. In the FIN-FSA's opinion, investors' access to adequate information will not be jeopardised, even though all issues will not have been clearly resolved when the first ESEF annual financial reports are reported.

Neither the Commission Regulation on ESEF nor any other EU regulations contain explicit provisions on the assurance of ESEF financial statements. The EU Commission expressed a view on the assurance of financial statements certificate in its Q&A published on 28 May 2019. The degree to which the Commission's Q&A is binding, in a situation where an audit obligation is created, is ambiguous, however. Although the Commission's position on the assurance of ESEF financial statements has not been set out in a binding form, the FIN-FSA considers that an audit will be required in the future. Arranging this in reporting companies and audit firms will be a time-consuming process, however, so the issue will not be clarified in time for the ESEF financial statements for 2020. From the perspective of the functioning of the market and the uniformity of operating practices, the FIN-FSA recommends that assurance be carried out in accordance with the draft recommendation prepared by the Finnish Auditors' Association. In a letter (in Finnish) addressed to the Finnish Auditors' Association on 6 May 2020, the Auditor Oversight Unit of the Finnish Patent and Registration Office expressed a view on the assurance of ESEF financial statements. The Finnish Auditors' Association has also published an article containing useful information on this topic. The article was published in the magazine Profiitti - Talous & tilintarkastus 1.2020 (in Finnish).

Survey on Finnish companies' preparedness for ESEF and findings on utilisation of information

In spring 2020, Aalto University-Helsinki School of Business, XBRL Finland and the FIN-FSA conducted a survey of listed companies on the state of preparation for ESEF reporting and planned approaches to introducing ESEF as well as the companies' opinions on XBRL and the ESEF reporting requirements. A similar survey was conducted in 2019. The survey was led by Professor Esko Penttinen from Aalto University-Helsinki School of Business. Around 20 responses to the survey were received, so the responses do not provide a full picture of the situation.

Encouraging news from the survey was that in 2020 none of the responding companies were unaware of the ESEF requirements. Companies' degree of preparedness varied, however, 17% of those responding had not started planning or implementing an ESEF project.

According to the latest survey, nearly half of the companies had already chosen their introduction model, whereas one year ago a large number of respondents had still not made a choice. Most companies will use external services, but still intend to carry out the actual XBRL tagging themselves. According to the responses, companies have found it easier in 2020 to find XBRL expertise in Finland than they found to be the case the previous year. About a third of companies expressed an interest in extending electronic reporting on a voluntary basis to quarterly and half-yearly reports.

In addition, interview research (in Finnish) was also conducted on the utilisation of ESEF-format information. Interviews with listed companies highlighted the effects of ESEF on enhancing financial statements reporting processes, and analysts' need to extend ESEF also to interim reports, reported Professor Hannu Ojala (University of Eastern Finland and Aalto University) and Kati Syrjä (Lappeenranta University of Technology), who is completing her master's thesis.

ESEF background legislation

The European Single Electronic Format (ESEF) requirement for listed companies comes from the Transparency Directive (2004/109/EC) on the harmonisation of transparency requirements for listed companies and its Amending Directive (2013/50/EU) as well as the Commission Delegated Regulation (EU) 2019/815. The Regulation is directly binding on listed companies. The name ESEF RTS (RTS = Regulatory Technical Standard) is also used for the Regulation. In Finland, the obligation to publish the ESEF financial statements and management report has been implemented in the Securities Markets Act. Under chapter 7, section 5 of the Securities Market Act, the financial statements and management report must be published in accordance with the Commission's Regulatory Technical Standard. The ESEF RTS will updated and published every year.

What does ESEF (European Single Electronic Format) mean?

All listed companies will report their annual financial report (AFR translated into Finnish: financial statements and management report, tilinpäätös ja toimintakertomus) using the same reporting format and taxonomy. They will be reported in xHTML format instead of PDF format starting with the financial statements for 2020.

The numerical information of the IFRS consolidated financial statements in the xHTML file must be marked with XBRL tags[8]. There is a two-stage schedule for XBRL tagging: in the first two years (2020–2021 financial statements), only the primary financial statements[9] will be tagged with XBRL, and only two years (2022 financial statements) later will the notes to the financial statements also be tagged. Inline XBRL-technology (iXBRL) will be used in XBRL tagging. iXBRL is an xHTML file in which XBRL tags are embedded. iXBRL makes it possible for a file to be both human-readable and machine-readable at the same time.

Every item of a primary statement will be tagged separately with the level of detail at which the company's IFRS primary statements have been prepared. Starting with the financial statements for 2022, notes to the financial statements will be tagged such that one note as a whole will be one XBRL tag (so-called block tag). The details of the note will not need to be tagged. More detailed XBRL tagging of notes is possible, however.

The XBRL tagging requirement does not apply to the parent company's separate financial statements or management report. They only need to be in xHTML format. XBRL tagging of the parent company's separate financial statements is, however, permitted on a voluntary basis.

The ESEF requirements, moreover, do not apply to financial statements releases or half-yearly reports. They can, however, be voluntarily published in xHTML format and marked with XBRL tags.

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[8] The terms tags and tagging are used in XBRL marking and labelling.
[9] Primary financial statements: statement of financial position, comprehensive statement of profit and loss, statement of changes in equity and statement of cash flows.

Financial reporting enforcement results in Europe 2019

In April 2020[10], the European Securities and Markets Authority (ESMA) published the report Enforcement and Regulatory Activities of Accounting Enforcers in 2019. The report provides an overview of the ESMA-coordinated activities in 2019 of European national accounting enforcers in relation to oversight and regulation of financial statements. In 2019 ESMA and the European accounting enforcers continued their regular IFRS enforcement measures. European enforcers undertook 943 examinations of listed companies' financial statements or interim reports. These led to enforcement actions against 299 companies, which represents 33% of the companies reviewed. For the most part, enforcers identified shortcomings in the same areas as in previous years, namely in accounting for financial instruments, impairment of non-financial assets and presentation of financial statements. These highlighted the need for transparency and entity-specificity of information, which is particularly important in financial statements prepared in the uncertain market situation of the COVID-19 pandemic. In addition, a number of material departures were identified with regard to issues related to revenue recognition, reflecting the new requirements under IFRS 15 *Revenue from Contracts with Customers*.

European enforcers also examined non-financial information disclosed by 937 companies (Articles 19a and 29a of the Accounting Directive)[11]. This represents around 35% of companies required to provide this information. In respect of these, financial reporting enforcers initiated enforcement actions in relation to 97 companies. As regards alternative performance measures (APMs), European enforcers examined 712 management reports to assess compliance with ESMA's APM Guidelines. Based on these, enforcement actions were taken in relation to 109 companies, constituting an action rate of 15%.

In 2019, ESMA also promoted supervisory convergence of financial reporting through many activities, including

- a study and subsequent report on European companies' use of APMs and their compliance with ESMA's APM Guidelines[12]
- amending ESMA's Guidelines on Enforcement of Financial Information (published 4 February 2020)[13] in follow-up to the 2017 peer review
- issuing a Public Statement on recognition of deferred tax assets[14] and
- preparing the ESEF XBRL taxonomy files for 2019[15].

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[10] https://www.finanssivalvonta.fi/globalassets/fi/paaomamarkkinat/liikkeeseenlaskijat-ja-sijoittajat/ifrs/esma32-63-846_2019_activity_report.pdf.
[11] In Finland, the presentation of non-financial information is regulated by the Accounting Act.
[12] https://www.esma.europa.eu/press-news/esma-news/esma-eu-issuers-need-improve-their-disclosure-alternative-performance-measures.
[13] https://www.esma.europa.eu/sites/default/files/library/esma32-50-218_guidelines_on_enforcement_of_financial_information.pdf.
[14] https://www.esma.europa.eu/sites/default/files/library/esma32-63-743_public_statement_on_ias_12.pdf.
[15] https://www.esma.europa.eu/press-news/esma-news/esma-updates-esef-xbrl-taxonomy-files-facilitate-implementation-esef-regulation.

ESMA published first enforcement decisions on the application of the IFRS standard on revenue

On 2 April, ESMA published an extract of enforcement decisions made by the European accounting enforcers. The published enforcement decisions concern cases involving the application of IFRS standards where inconsistencies in application have been identified or which are relevant and interesting with regard to the preparation of financial statements. The selection includes eight enforcement decisions, four of which address issues related to IFRS 15 *Revenue from Contracts with Customers*. These are the first published decisions on enforcement of IFRS 15.

In the first decision of the extract, the company sells geophysical services in the form of licences to enable its customers to receive survey results on oil reserves in certain areas. The key question to be resolved is whether a licence entitles the customer to use the data covered by the licence as it stands at the time the licence is granted or whether the customer has the right to access the data during the period covered by the licence. The revenue recognition method depends on the type of licence.

In the fifth decision of the extract, the company presents, in a note to the financial statements, revenue disaggregated into three different product lines. However, in documents presented in connection with the publication of earnings, the company presents a disaggregation of revenue on a more detailed level than in the financial statements. The decision considers whether a more detailed breakdown of revenue should also be presented in the financial statements.

In the seventh decision, the company operates as a subcontractor to the automotive industry. The agreement between the company and the automotive manufacturer is a framework agreement that includes estimated quantities of moulds and parts to be delivered in the future. The decision addresses whether the framework agreement is, in certain respects, a binding customer contract, and to what extent there must be separate purchase orders in order for the criteria of a customer contract to be met. The performance obligations and revenue recognition method are determined on the basis of the analysis.

In decision number eight, the final decision concerning the application of IFRS 15, the company leases investment properties it owns to third parties and provides the tenants with services related to the properties. The case considers which operating services are rental income under IFRS 16 *Leases* and which are services related to the use of the properties that cannot be considered to be components of a lease, but must be separately identified as the company's revenue subject to IFRS 15.

The other enforcement decisions address the application of various standards. Decision number two, a decision related to the application of IFRS 7 *Financial instruments: Disclosure,* addresses how a maturity analysis of financial liabilities should present a financial liability whose contractual maturity date is in 2040, but which includes an option for both parties to redeem the contract early with at least 12 months' notice. Based on the decision, the financial liability must be presented as maturing in the 'greater than one-year' time range, not in the 'greater than five-years' time range. Decision number three concerns deferred tax assets that arise in connection with a change in accounting principle in connection with the transfer to IFRS 9 *Financial instruments*. Decision number four considers the assessment of de facto control in accordance with IFRS 10 *Consolidated Financial Statements*. Decision number six, which addresses the application of IAS 34 *Interim Financial Reporting*, concerns the issue of how compact an interim report's condensed statement of profit and loss can be.

The enforcement decisions are not general IFRS interpretations; each enforcement decision is based on the specificities of the individual case in question.

A link to published to English-language enforcement decisions can be found on ESMA's website.

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Insider list templates updated on FIN-FSA's website

The insider list templates on the FIN-FSA website have been updated for system technical reasons. In the new template lists, the order of the fields is now according to the list templates prescribed in Level 2 provisions issued under MAR. No changes have been made to the actual content of the lists, so there is no new information to maintain in the lists. For currently ongoing insider projects, the introduction of a new template is not necessary, but for future insider projects, issuers are requested to update the templates to the new versions. Insider lists should always be submitted to the FIN-FSA as Excel files as before.

Potential advisers to issuers and other parties acting on behalf of or for the account of issuers should be instructed to submit insider lists in a format consistent with the new templates. If the format of a submitted list is not consistent with the new insider list templates, the FIN-FSA will, in principle, request that the lists be corrected to conform to the templates, due to the need for automatic importing of lists.

The new list templates can be found on the FIN-FSA website.

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Topical matters at ESMA

ESMA has launched a consultation on the functioning of the regime for SME Growth Markets. ESMA will consider all comments received by 15 July 2020. The consultation can be viewed and responded to on the ESMA website.

ESMA has launched a consultation on sustainability-related disclosures in the financial services sector. The consultation paper has been issued jointly with the European Supervisory Authorities (EBA and EIOPA). The consultation can be viewed and responded to on the ESMA website. The response period is until 1 September 2020.