

Linklaters

EU: ESMA announces materiality assessments and taxonomy to be enforcement priorities for 2025 corporate reports

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The European Securities and Markets Authority (ESMA) has published its annual European Common Enforcement Priorities [statement](#) for 2024 corporate reporting. The guidance outlines the areas that ESMA, together with European enforcers, will focus on as they review corporate reports in 2025.

ESMA warns that enforcers will take enforcement actions wherever material misstatements are identified.

On sustainability in particular, ESMA list three priorities, namely:

- materiality assessments in reporting under the CSRD ESRS;
- scope and structure of sustainability statements; and
- taxonomy disclosures.

Materiality assessments in reporting under ESRS

ESMA encourages companies to pay attention to the EFRAG's implementation guidance under the European Sustainability Reporting Standards (ESRS) on materiality assessments, and provide "detailed disclosures of the assessment process itself...to enable users of the sustainability information to gain a full understanding of the extent of the different steps the issuer has undertaken to reach its materiality conclusions".

ESMA described stakeholder engagement as a "crucial aspect of the materiality assessment process", noting that "the objective of such engagement is to obtain the views of the key affected stakeholders".

ESMA expects issuers to be transparent about how they identified and prioritised which stakeholders to engage.

Scope and structure of the sustainability statement

Companies should use quantitative information to demonstrate materiality decisions and present a list of disclosed topics in the form of a "content index" to enable easy navigation of the sustainability statement for users.

ESMA also notes that while there will be some transitional reliefs in relation to the value chain information requirement in the first three years of reporting, issuers are still required to explain the efforts made to obtain the necessary information about their value chain, the reasons why not all of the necessary information could be obtained, and their plans to obtain this information in the future.

Disclosures relating to Article 8 of the Taxonomy Regulation

ESMA “underlines the need for non-financial issuers to pay particular attention to situations where an economic activity is eligible to multiple environmental objectives”.

In this regard, issuers are required to conduct an assessment for each relevant objective, and report on respective eligibility and alignment.

Companies should also ensure their taxonomy disclosures are consistent with any transition plans they publish.

Other priorities

Other priorities that ESMA will pay attention to include:

- **International Financial Reporting Standards (IFRS) financial statements:** ESMA will particularly focus on liquidity considerations, accounting policies, judgments and significant estimates; and
- **European Single Electronic Format (ESEF) digital reporting:** ESMA will be targeting common ESEF filing errors found in the statement of financial position.

The statement is available [here](#).

ESMA’s press release published on 24 October 2024 is available [here](#).