

THE CNMV PUBLISHES THE ANNUAL SUPERVISORY REPORT ON THE ANNUAL ACCOUNTS OF ISSUING COMPANIES

28 February 2022

- The use of alternative performance measures (APMs) in annual accounts must be reviewed and enhanced
- During the supervision of the 2021 annual accounts, particular attention will be paid to the impacts of the COVID-19 pandemic, climate-related matters and the breakdown of information on expected loss for credit institutions
- Attention will also be paid to the recording of adjustments in value for deviations in market price set out in Spanish Royal Decree 413/2014, and to certain specific issues of IFRS 3 and IFRS 16

The Spanish National Securities Market Commission (CNMV) has today published the [“2020 Report on the CNMV’s supervision of the annual financial reports and main areas for review of the annual accounts for the following financial year”](#). The document describes the supervisory work carried out by the body in relation to the 2020 audited annual accounts submitted by securities issuers. It also includes certain enforcement priority areas envisaged by the CNMV for the 2021 annual accounts.

The CNMV has received 281 audited annual financial reports – individual and consolidated – for 2020, corresponding to 146 securities issuers.

Qualifications and emphasis of matter paragraphs

The percentage of issuer audit reports with a favourable opinion stood at 98.6%. All the audit reports on the Ibex-35 companies presented a favourable opinion.

In relation to 2020, 26 issuers included some type of emphasis of matter paragraph (30 issuers in 2019), of which 21 highlighted one or more uncertainties (26 issuers in 2019). Issuers incorporating concerns for business continuity increased slightly to 14 (11 in 2019),

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while issuers revealing uncertainties deriving from the impact of COVID-19 decreased to a greater extent to six (17 in 2019).

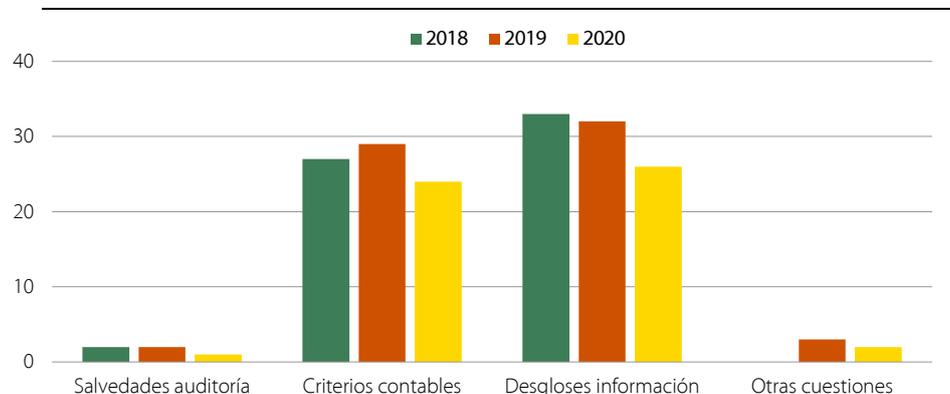
Supervision of financial information

The report explains the review work carried out by the CNMV on the annual accounts of securities issuers. All reports received are subject to a formal review of compliance with current regulatory requirements.

In addition, a substantive review is performed on a certain number of audited annual accounts. During 2020, requests were issued to three companies relating to formal matters, and to 26 companies for one or more of the following reasons:

- provision of additional information on issues relating to recognition and valuation accounting policies (24 companies);
- a more detailed breakdown of the information provided in the annual financial report (26 companies).

Reasons for issuing requests to issuers (excluding FT and FAB)¹



Source: CNMV

¹ The requests include those submitted to issuers subject to a formal and substantive review, without taking into account those relating to the NFS, APMs or those relating to delays in the delivery of financial information.

Several recommendations were also made, for their consideration in future financial statements, to 16 out of the 26 companies issued with requests. A letter was also sent to two of them, which only contained recommendations.

Requests were also issued to 16 companies in relation to compliance with ESMA Guidelines on alternative performance measures (APMs).

Analysis of the degree of compliance with the Guidelines on APMs

During 2021, a cross-cutting analysis was carried out within the Markets Directorate-General and the regulated information, other relevant information relating to the financial information for the second quarter of 2020 and prospectuses were reviewed, insofar as, in the case of the latter, the company had registered in 2021 a prospectus for an offer or for admission to trading on regulated markets.

Bearing in mind that in 87% of the cases some type of issue was detected and that 70% of the companies analysed were issued a request, it can be concluded that APMs is an area that could be improved five years after their application following the entry into force of the ESMA Guidelines on APMs.

% of issuers subject to a request and/or a recommendation under the guidelines:

| | Issued with a request | Recommended |
|--------------------|-----------------------|-------------|
| Definition | 45% | 10% |
| Reconciliation | 55% | 35% |
| Explanation of use | 40% | 20% |
| Comparatives | 15% | 0% |
| Consistency | 5% | 10% |

Source: CNMV

It should be noted that, in view of the results, particular emphasis will be placed on future reviews of APMs, on their definition, reconciliation and explanation of their use.

European Single Electronic Format (ESEF)

Even though its submission was voluntary in 2021, it is important to highlight that 47% of the annual financial reports were received in this type of electronic format.

During 2021, some specific aspects of the ESEF were reviewed and 58 issuers (85% of the issuers that submitted the ESEF) were contacted to report issues detected.

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The CNMV expects an improvement in the quality of the content of the ESEFs it receives for 2021, which is the first year when this electronic format will be mandatory for all issuers.

Supervision plan for the 2021 annual accounts

It should be noted that, in view of their relevance, ESMA and EU national supervisors will pay special attention to certain priority areas when supervising and assessing the application of the relevant requirements. They will also review any material issues detected when analysing the various issuers.

ESMA's common enforcement priorities for financial information are related to: -

- impacts of COVID-19 pandemic;
- climate-related matters; and
- expected credit losses disclosures of credit institutions.

Other matters to which supervisors will also pay particular attention, are:

- The monitoring of the ESMA Guidelines on APMs, especially in the current context generated by COVID-19.
- The preparation of annual financial reports according to the European Single Electronic Format (ESEF). ESMA recommends companies that are preparing their annual report in xHTML format for the first time to visit its website and consult the guidance material to better understand the preparation requirements.

In addition, the CNMV has decided to include, as additional priorities, a more detailed analysis of the consistency, on environmental matters, between financial information and the non-financial statements (NFS), the recording of adjustments in value for deviations in market price, pursuant to Art. 22 of Spanish Royal Decree 413/2014; the impairment of the recognised rights of use in accordance with IFRS 16 (Leases) and some issues of IFRS 3 (Business Combinations).

Any other specific issues that are relevant for the purposes of each listed company subject to the CNMV's supervision, will also be reviewed.

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