In Balance 2013

Supervision of Financial Reporting

October 2013

Contents

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The Netherlands Authority for the Financial Markets (AFM)

The AFM promotes fairness and transparency within financial markets. We are the independent supervisory authority for the savings, lending, investment and insurance markets. We promote the fair and conscientious provision of financial services to consumers and private investors, as well as professional and semi-professional parties. We supervise the fair and efficient operation of the capital markets. Our aim is to improve consumers' and companies' confidence in the financial markets, both in the Netherlands and abroad. In performing this task, the AFM contributes to the stability of the financial system, the economy and the reputation and prosperity of the Netherlands.

In Balance 2013

We hereby present our report ‘In Balance 2013’. Prior to the annual reporting season, the AFM publishes in the autumn the considerations in financial reporting that have been identified in 2013. By publishing these items now, companies have time to include items of improvement in the preparation of their financial reporting.

The results show that while companies have definitely made progress in certain areas, there is still too much room for improvement in the financial reporting of listed companies. Information for investors on the actual state of affairs at companies is not always unambiguous, clear or accurate. Companies and auditors need to devote more attention than usual to the quality of their financial reporting for 2013.

As a result of the crisis, demand from investors for sound and accurate financial information from listed companies on very specific elements is increasing. It is disappointing to have to note that the improvement in financial reporting is not progressing uniformly in all cases. The incidents involving serious financial consequences at a number of large listed companies underline the importance of sound and accurate financial information and the roles of the supervisory directors and the external auditor.

This report presents the collected annual findings of the thematic reviews conducted in 2013, describes the thematic reviews that will be conducted in 2014 and discusses the findings from our ongoing supervision. The collected findings and considerations will be published in the early autumn each year from now on.

The AFM conducted four thematic reviews of the financial reporting for 2012 in 2013. These focused specifically on high-risk investments and loans, the cash flow statement and provisions. The AFM also reviewed the status of integrated reporting in the Netherlands. The considerations identified from our normal supervision in 2013 concerned mainly impairments of assets, the frequent use of standard texts in disclosures and the explanation of the remuneration of directors. These last two items will be the subject of thematic reviews in 2014, in addition to a similar review of the paragraph on risk and the description of pensions.

I trust this report will encourage those involved to make further improvements to the quality of financial reporting in the Netherlands.

Gerben Everts

1 Introduction

The operation of the capital markets largely depends on the relevance and reliability of available financial and non-financial information and the conduct of directors, supervisory boards and shareholders. Good governance and high-quality audits positively affect the quality of the financial reporting of securities-issuing institutions and investor confidence. This is the objective of the AFM's overall theme of 'The quality of governance, reporting and auditing is increasing'. One of the aims within this theme over the longer term is to work towards a system of integrated reporting, whereby companies present information on their financial and non-financial performance in integrated form.

Prior to its annual activity report, the AFM is publishing the considerations in financial reporting that have been identified in 2013 in the autumn. This gives companies sufficient time to include the considerations mentioned in the preparation of their financial reporting. The main findings from our thematic reviews conducted in 2013 are included, as are the provisional findings of our regular supervision of financial reporting for 2012. The full review results are given in the appendices. The AFM is also announcing the subjects of its thematic reviews in 2014 in this publication. The AFM has taken the opportunity of its overall theme of 'The quality of governance, reporting and auditing is increasing' to revise the method of reporting. This reporting is broader in scope than in previous years. By assembling all the findings of the various reviews each year, the AFM hopes to contribute to a more recognisable and comparable account of the state of affairs, so as to make the connections between the reviews easily comprehensible and to facilitate the measurement of effects. In our opinion, this will make a further contribution to the effectiveness and efficiency of the capital markets.

The items of improvement the AFM refers to in this publication mainly concern the disclosures. This should not be taken to mean that there is no need for improvement in measurement and the determination of the result. The AFM's supervision is designed to establish whether the reporting requirements are correctly applied. The more substantive and deeper investigation of whether the financial reporting presents a true and fair view of the size and composition of the results, capital and cash flows is primarily the responsibility of the external auditor. The AFM does not intend to repeat the work of the auditor. In this context, the estimates and opinions of the management can only be tested to a limited extent by the AFM.

The supervision of financial reporting of listed companies on the basis of the Financial Reporting Supervision Act (the *Wtfv*) changed on 1 January 2013. One important change is the possibility of exchanging information with other divisions of the AFM (such as supervision of audit firms, securities offerings, takeover bids prospectuses and market monitoring). The expertise of the various divisions can now be shared. This contributes to better financial supervision and more effective application of the experience and expertise of the supervisors.

2 Outlook

In this section, the AFM describes the most relevant developments in the reporting of companies and the supervision thereof:

- Integrated reporting;
- International perspective;
- More information is not necessarily better information;
- Consistent reporting;
- Governance;
- Role of the auditor;
- Method of reporting.

Investors require transparency regarding the activities of a company and the effects of these activities on its financial position and financial and non-financial performance. While the first signs of recovery are visible internationally, there are also indications that the economic situation in the Netherlands will not improve in the very near future. The issues relating to measurement of assets (such as loan portfolios and commercial property), provisions and the disclosures of these items will therefore continue to require particular attention in the years to come.

Integrated reporting

The public demand for more integrated reporting is an ongoing theme. There is increasing attention to non-financial criteria for success, such as sustainability, governance, socially responsible behaviour, etc. Integrated reporting will make it possible for countries with a policy that is more future-oriented and sustainable, and companies that operate in a socially responsible way to compete fairly with other jurisdictions and companies. The European Parliament has stated that it will strive to achieve fully integrated reporting by 2020. The concept of integrated reporting is relatively new, and its form and regulation are still at an early stage. The framework for integrated reporting published in April 2013 is expected to take definitive shape at the end of 2013.

The AFM reviewed the current status in 2013. Many companies are conscious of the importance of reporting non-financial information and have begun to experiment with this approach. This can be seen from the various ways in which non-financial information is reported. The quality of the reporting of non-financial information can, however, be improved in terms of relevance, conciseness, accessibility and coherence. Companies need to find a form whereby they meet both the statutory requirements (directors' report, the financial statements and the other information), which traditionally have been mainly financial in nature, and report more relevant, cohesive and concise financial and non-financial information. The other results of the review of integrated reporting are presented in the appendix.

International perspective

The supervision of financial reporting is increasingly influenced by the work of the European Securities and Markets Authority (ESMA), which published its draft 'Guidelines on enforcement of financial information' in mid-July 2013[1]. These guidelines, which after consultation will also apply to the AFM, are designed to further improve consistent enforcement by the supervisors. If national supervisors, such as the AFM, do not fully apply the guidelines in their supervision of financial reporting, they will be obliged to report this to ESMA.

ESMA has been publishing the 'European Common Enforcement Priorities' (ECEP) for financial reporting in the current year in November since 2012. In its soon-to-be-published ECEP for this year, ESMA cites and describes a number of current issues that are relevant to the preparation of the financial reporting for 2013. The supervisors in Europe will have to consider these items in their supervision. The AFM has taken account of the draft version in the preparation of this report[2].

ESMA has stated that it will continue to pay close attention to issues of measurement. The comparability of financial reporting also continues to be a current item on ESMA's agenda. The forthcoming Asset Quality Review (in connection with the announced formation of the Single Supervisory Mechanism, also known as the Banking Union) could have a significant effect on the market, especially for banks in Southern Europe. One cannot in advance exclude the possibility that Dutch banks will also be affected. There is a risk that if the position of our banks turns out to be substantially less favourable than would appear to be the case from their current financial reporting, the credibility of reporting and auditing in the Netherlands could be called into question.

More information is not necessarily better information

The current regulatory trend is that an increasing amount of information should be excluded. The important point is that the information included should be relevant for users. This is not always achieved by including additional information. What is needed is better information. It may be comprehensive, but not necessarily. The principle of 'cutting the clutter' is relevant here. There is also an international debate regarding the length of the mandatory disclosures, especially with respect to the annual report and the financial statements. The current (IFRS) reporting standards state which information has to be presented, but until now there has been no description of the framework within which this information should be presented. The point here is not the volume of information, or the comparability of it, it concerns improving the quality of the disclosures. The International Accounting Standards Board (IASB) published a 10-point plan in 2013 designed to increase the effectiveness

[1] http://www.esma.europa.eu/consultation/Guidelines-enforcement-financial-information

[2] One cannot exclude the possibility that the final version of the ECEP will be different from the draft. The AFM therefore recommends that parties should take note of the ECEP when it is published. As soon as it is available, the AFM will include a link to the ECEP 2013 on its website.

of the disclosures. The AFM will carry out a thematic review of the quality and length of the disclosures in the financial statements in 2014[3].

The drive towards greater transparency and the associated obligations and workload have sparked a discussion in Europe as to whether a separate (less onerous) IFRS regime should be formulated for smaller listed companies. This could reduce the barrier to admission to the capital markets. A separate regime for smaller listed companies would however create a two-tier transparency requirement in the regulated markets.

Consistent reporting

With regard to transparency, the press releases from listed companies announcing their annual and quarterly results are important, because they are an important basis for investors to form their opinions and they generally attract extensive media attention. It is thus important that the press releases give consistent and reliable information. Internationally, performance indicators, including alternative performance indicators, are becoming more important. Firstly, to meet the wishes of investors and analysts, but also due to the desire to present a better picture of the performance than would be given on the basis of the IFRS terminology alone. The question is whether this flexibility improves the picture, or clouds it. For this reason, the AFM conducted a review of the use of alternative and conventional performance indicators in 2013.

This review revealed that companies do not present the same alternative performance indicators every year. The largest change occurred among companies in the AEX Index, which stopped reporting their organic revenue at the end of 2012. We have seen the same development among the AMX stocks. The sequential consistency of financial performance indicators is very important for investors, and therefore companies need to increase the consistency of their reporting.

Governance

The proper functioning of the capital markets depends on the conduct of the players in those markets. When scandals occur that are related to factors such as the tone at the top, or the company not being ‘in control’, the public is more and more frequently demanding to know why the external auditor failed to identify the problem or made no mention of it. Studies of the causes of the financial crisis (included the study conducted by the OECD[4]) have also focused on the role of corporate governance in this connection. These showed that some of the problems at companies as a result of the crisis were due to inadequate governance and insufficient transparency in this area. The European Commission recently announced measures intended to bring governance at issuing institutions to a higher level. Transparency with regard to corporate governance is crucial. In its report published in August 2013, the Dutch Corporate Governance Monitoring Committee stated that

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[3] See Section 5 Thematic reviews in 2014

[4] The Organisation for Economic Cooperation and Development

while compliance with the Dutch Corporate Governance Code was generally satisfactory, the quality of the entire annual report should be given continuous attention.

Further improvement to the transparency of the reporting of directors' remuneration is another item of attention. The AFM will conduct a thematic review of the reporting of remuneration in 2014[5].

Audit committees play an important role in safeguarding the quality of the reporting and the audit of the company. The issues regarding the audit include the selection and the evaluation of the quality of the auditor, the interaction with the auditor and how to deal with the information obtained from the supervisor regarding the quality of the audit (transparency with respect to the supervisor's findings). Audit committees can actively change the situation, since when appointing an external auditor they have to take account of the rotation of the audit firm they use that will be mandatory from 2016. This new market situation in the Netherlands moreover means that audit committees will need more information in order to take up their role and thus give practical form to competition between audit firms on the basis of quality. Apart from financial institutions, the AFM has no direct supervisory relationship with audit committees. Nonetheless, audit committees can provide effective leverage for the AFM's supervision. If audit committees do their job properly, the AFM would expect to see the benefits of this in its supervision. The AFM will therefore further intensify the dialogue it is already conducting with audit committees next year.

Role of the auditor

The AFM theme 'The quality of governance, reporting and auditing is increasing' stresses the fact that good quality audits support the quality of the financial reporting by securities-issuing institutions. Reviews of audit firms in recent years have identified significant problems and risks in relation to the quality of statutory audits at all types of audit firm. The risk and problem-driven selection of the statutory audits reviewed show that in a number of cases auditors had obtained insufficient or inappropriate audit information and had not conducted their audits with an adequately professional and critical attitude. Although some firms have already initiated a change in behaviour, and in an exceptional case the firm in question has already completed this process and dealt with the underlying causes of the problem, a great many firms still have some way to go in this respect.

At the same time, the public perception of the role of auditor and what is expected of an auditor is changing, with respect to both the scope of their activities and the audit work they perform. The public still has doubts regarding the added value of the auditor in his role as gatekeeper.

[5] See Section 5 Thematic reviews in 2014

Method of reporting

The method of reporting is also undergoing changes. The Standard Business Reporting Programme (SBR programme) is but one example of this. Under the SBR programme, parties from the government and the market are working together to simplify the composition and exchanging of financial and other reporting. Many parties are now involved: software producers, audit firms, trust offices, banks and various governments. The exchange of data is based on XBRL (eXtensible Business Reporting Language). This is an open standard for the exchange of financial data over the Internet. The Chamber of Commerce (KvK) is making the XBRL format compulsory for the filing of financial statements on 1 January 2015. Parties will have to anticipate this change, make preparations and investors will also have to be informed as necessary. The AFM will act as an observer in the SBR programme to monitor progress of developments affecting the AFM.

3 Considerations from the regular desktop reviews

The AFM wishes to draw special attention to and calls on companies to devote attention to the following issues:

- Impairment of assets. Given the poor state of the economy and based on provisional findings, this remains an important item of attention for companies. In particular, there is room for improvement of the disclosure of the sensitivity of the recoverable value to changes in the key assumptions (the 'sensitivity analysis');
- Reporting of remuneration. The AFM is still seeing errors in the overview of the remuneration paid to managers in key positions, including the members of the management and supervisory boards;
- The quality and length of the disclosures in the financial statements. Companies are too often using standard texts and their disclosures do not include enough company-specific information.

In this section, the AFM lists the considerations for the annual financial reporting for the current financial year. The items are partly based on the provisional findings of ongoing and completed reviews. The AFM expects companies and auditors to include these items in the annual financial reporting for 2013 and the auditing thereof.

Impairment of assets (IAS 36)

Impairment of assets is still a current item in view of the economic circumstances. In 2012, this led the AFM to conduct a thematic review of impairments. The AFM has evaluated the effects of this thematic review in 2013, and has assessed the financial reporting of 40 companies over the period from 2010 to 2012. The main conclusions of this follow-up review were:

- The number of companies recognising an impairment has increased significantly;
- The length of the disclosure of goodwill impairments and impairment testing has increased significantly;
- 91% of the companies provided quantitative information on their impairment test in 2012, including stating the discount rate and growth used;
- The quality of the disclosure of goodwill impairments and impairment testing has increased by 22%.

Publication of the results of the thematic review would thus seem to have made a positive contribution to the quality of the disclosure of goodwill impairments and impairment testing. However, this disclosure still needs to be improved. The AFM again asked a number of companies questions on this issue in 2013. In particular, the disclosure of the 'reasonably' possible effects of changes to the key assumptions used to establish the recoverable value of a cash generating unit (the 'sensitivity analysis') needs to be improved.

Reporting of management remuneration

In 2011, the AFM carried out a thematic review of the disclosure of share-based payments in the financial reporting for 2010. Among other things, this showed that companies need to be more transparent regarding the amounts of the share-based payments made to key managers, including executive and supervisory directors. In 2012 and 2013 as well, the AFM regularly put questions to companies regarding the reporting of management remuneration. In 2012, this led to one recommendation, whereby the AFM requested a company to publish a press release. Ongoing reviews also show that not all companies state the amounts of the share-based payments allocated to managers in key positions. It is moreover notable that in a number of cases there is a difference between the expense recognised in the income statement for share-based and other payments and the amount disclosed in the overview of allocated remuneration. In some cases this is the amount actually paid rather than the expenses to be allocated to the reporting year. However, this last point is often not apparent from the disclosure itself, and only became apparent after the AFM had questioned it. Lastly, the AFM noted that the policies regarding share-based payments were not stated in all cases, or that the disclosure that had been included raised questions regarding how the payments were processed. For the above reasons, the AFM has decided to carry out a thematic review of the reporting of remuneration in 2014[6].

Quality and length of the disclosures in the financial statements

In its report on considerations published in September 2012, the AFM devoted attention to the international discussion of the length and complexity of the disclosures in the financial statements. The AFM also noted that generic 'boilerplate language' is often used that is not company-specific and called for attention to be paid to the sometimes illogical sequence in which the disclosures are made, in combination with limited readability. This point also emerged from the thematic reviews of 'Provisions' and 'Reporting of credit risks arising from investments and accounts receivable' conducted in 2013. Furthermore, in 2013 the AFM noted that in a number of cases the relevant accounting policies were not stated in the financial reporting for 2012. This has led to our decision to carry out a further review of the quality and length of the disclosures, including the accounting policies, in 2014[7].

[6] See Section 5 Thematic reviews in 2014

[7] See Section 5 Thematic reviews in 2014

4 Considerations from the thematic reviews in 2013

In 2013, the AFM carried out thematic reviews of the cash flow statements, the reporting of credit risks arising from investments and accounts receivable, provisions and integrated reporting.

The reviews show that there is room for improvement in several areas. The thematic review of cash flow statements shows that while companies are making an effort to provide sound information in their cash flow statements there is still much room for improvement. Moreover, the thematic review of the reporting of credit risks arising from investments and accounts receivable shows that banks and insurers provide extensive information on receivables and investments, but that transparency can be increased by introducing more structure (cohesion and association) in the disclosure.

The thematic review of provisions shows that these are properly disclosed, but that the disclosure of contingent liabilities is perfunctory. Listed companies have already made a start on non-financial reporting, but they still have some way to go before they will achieve truly integrated reporting. The quality of the reporting can be improved in terms of relevance, conciseness, accessibility and coherence.

The AFM conducted thematic reviews of the financial reporting for 2012 in 2013. In addition to the review of integrated reporting carried out by the AFM (see section 2), the AFM specifically considered investments and loans with a high level of risk, the cash flow statement and provisions. The main findings of these three thematic reviews are presented below.

Cash flow statements

In times of persistently moderate economic growth and prospects, investors focus more on the ability of companies to generate positive cash flows. The AFM has established that the cash flow statement is the element with the most shortcomings in recent years. For this reason, six years ago the AFM conducted a thematic review of the cash flow statement for 2006 and returned to this theme last year. The review was carried out on the cash flow statement as included in the 2012 financial statements of 46 listed companies. In this review, the AFM focused on three quality features of financial reporting.

A company's continued existence depends on its ability to generate positive cash flows. The cash flow statement provides the following information to users of the financial statements:

- The operational cash flow shows the profit and loss on a cash basis;
- The investment cash flow shows only the changes in the non-current assets on a cash basis;

- The financing cash flow shows only the movements in funding, namely the non-current liabilities and the equity on a cash basis.

The AFM calls on companies to remember this objective when preparing their cash flow statements.

The main findings of the review are:

- Comprehensibility: companies are striving to present their cash flow statement in comprehensible form. To be able to understand the cash flows presented in the context of the financial statements, it is important that the elements in the cash flow statement relate to other elements in the financial statements. Most of the companies provide this information to some extent, but there is certainly room for improvement;
- Comparability: extensive freedom of choice means that company-specific accounting policies are needed. A large majority of the companies state an accounting policy, however in most cases this is generic in nature ('boilerplate') and contains little company-specific information. This makes it difficult for users to interpret the information in the cash flow statement;
- True and fair view: this is still under pressure. The cash flow statement should only show actual cash flows presented in the correct category. Since the AFM is still seeing contraventions of the provisions of IAS 7, the AFM calls on all preparers to exercise more care in the preparation of the cash flow statement. Indeed, any material contravention could potentially lead to an ill-informed investment decision.

Reporting of credit risks arising from investments and accounts receivable
With its thematic review of the reporting of credit risks arising from investments and accounts receivable, the AFM intends to establish whether companies are providing adequate information on the composition and quality of their receivables and investments and the risks to which they are exposed. The main findings of this thematic review are:

- Banks/insurers generally provide extensive information on their receivables and investments, however transparency could be increased by introducing more structure (cohesion and association) in the disclosure;
- Banks provide little information on restructure loans (forbearance);
- The disclosure by banks/insurers of 'assets held for sale' could provide more information regarding the risks of impairment;
- Banks provide little or no information on the assets that have not (or not yet) been provided as specific collateral;
- Trading and industrial companies could improve their disclosures of credit quality and concentration risk.

Provisions, contingent liabilities and assets

The AFM carried out a thematic review of provisions, contingent liabilities and contingent assets in 2013, because it expected that provisions would be necessary, not least due to the continuing economic crisis.

The thematic review of provisions revealed that:

- provisions usually have only a limited effect on financial position and performance;
- the disclosure requirements pursuant to IAS 37 have been properly applied;
- in 22 cases, the disclosure of contingent liabilities is perfunctory (use of 'boilerplate language');
- there is little or no mention of contingent assets in the disclosures.

The AFM's review did not assess whether the reporting requirements for the recognition and measurement of provisions was correctly applied.

5 Thematic reviews in 2014

The AFM will carry out thematic reviews of the reporting of management remuneration, the quality and length of the disclosures, the risk section and the reporting of pensions.

The disclosure of the remuneration of managers in key positions, including the remuneration of executive and supervisory directors, is an important and relevant source of information for decisions by the users of the financial reporting, but still does not meet the statutory requirements in all cases. In 2014, the AFM will check all listed companies to determine whether they have reported remuneration correctly.

The AFM notes that the financial statements frequently still contain standard texts and that relevant information is not included in all cases. In 2014, the AFM will review the quality and length of the disclosures, also devoting attention to the most important accounting policies.

Thematic reviews of the section on risk and the changed reporting standard applying to pensions will also be conducted in 2014.

The AFM normally assesses consecutive annual reports, but each year it also carries out a number of thematic reviews in order to draw attention to specific elements in the financial reporting. The themes are announced before the annual reports and financial statements are prepared, so that companies and auditors can include them in their financial reporting for 2013 and the auditing thereof. The AFM hopes this focus on specific elements will contribute to improving the quality of the financial reporting.

The AFM also discusses the selection of its themes with the Financial Reporting & Accountancy Committee, which includes experts from the market. Investors are moreover requested to provide input. Finally, account is taken of the provisional results of the discussions within ESMA on the Enforcement Priorities for the supervision of the financial reporting for 2013 in Europe (see section 2). The findings of the thematic reviews will be published in the early autumn of 2014.

Thematic reviews generally lead to recommendations with respect to the various elements. The AFM may also approach individual companies with regard to shortcomings in the financial reporting it has reviewed if necessary.
A description of the thematic reviews in 2014 is presented below.

Reporting of management remuneration

The disclosure of the remuneration of managers in key positions, including the remuneration of executive and supervisory directors, is an important and relevant source of information for decisions by users of financial reports. The remuneration of directors of listed companies is a subject of intense public debate. Despite the attention devoted by the AFM to the reporting of remuneration in its reviews and publications in recent years, the AFM is still seeing too many cases in which the disclosure of remuneration does not meet the statutory requirements (see section 3).

For instance, the component 'share-based payments' does not always form part of the overview of directors' pay. This overview also in some cases states the remuneration paid in a reporting year rather than the expense attributed to the reporting year. The AFM expects short-term and longer-term bonuses to directors to be recognised in the reporting year to which they relate, unless there are actual or legal obligations at the end of the reporting year and the size can be reliably estimated. In 2014, the AFM will check all listed companies to determine whether they have reported remuneration correctly. If the reporting requirements have not been complied with, the AFM will contact the company concerned directly and impose supervisory measures if necessary.

Quality and length of the disclosures

Internationally, there is much attention to the readability and accessibility of financial reporting. A project known as 'cutting the clutter' has been initiated in the United Kingdom with the aim of reducing the number of immaterial disclosures. In 2012, the AFM called on companies to make their disclosures entity-specific and avoid the use of standard texts as far as possible.

In recent years however, the AFM has noted that the financial statements frequently still contain standard texts and that relevant information is not included in all cases. In order to make good decisions, it is important that investors can base their decisions on relevant disclosures and that the use of standard texts is reduced. The AFM will therefore carry out a review of the quality and length of the disclosures in 2014. This review will also consider the overview of the main accounting policies for the reporting.

Risk paragraph

The risk paragraph is one of the sections in the annual report. The purpose of the risk paragraph is to give users an impression of the major risks to which the company is exposed. This impression is not provided by all companies in their current reporting. This means that the connection between the risks to which the company is exposed, the company's strategy, its objectives and policy with respect to risk management is not clear in all cases and does not provide much useful information to investors. The risk paragraph should give a better description of the potential consequences of the principal risks. In the current economic climate, in which for instance credit risks are rising, it would be much more interesting for investors to be informed regarding the principal risks that are recognised. The AFM and investors would like to see companies providing more information on the probability of an event and the effect thereof on factors such as earnings, cash flow or revenue. By estimating the risks with the greatest probability and the greatest effect, the management could present a top-5 list of risks with the greatest probability and the greatest effect. Investors say that a top-5 list of this kind would be far more useful than a list of all possible risks.

Pensions

Pensions are a current topic in the light of the current economic conditions. Since pensions can have a huge effect on the capital position of companies, investors need accurate and transparent information. The reporting standard on employee benefits (IAS 19) has recently been radically amended. The amended standard took effect on 1 January 2013.

For financial reporting in the Netherlands, the most relevant changes are:

- the end of the so-called 'corridor method' for the processing of actuarial results and the obligation to recognise these results directly in equity;
- the clarification on how to deal with conditional indexation in the determination of the pension liability;
- calculation of the return on fund investments based on the discount rate as at year-end, as used in the calculation of the liability;
- the changed distinction between short-term and long-term remuneration;
- the changed disclosure requirements, whereby sensitivity analyses must be presented as well as the key actuarial assumptions.

In 2012, the AFM reviewed the extent to which companies disclosed the effects of the amended reporting standard on pensions (IAS 19R). In its thematic review in 2014, the AFM will look at whether this changed reporting standard has been applied correctly. The AFM will also review the quality of the disclosure of actuarial assumptions, including the discount rate used.

6 Amended standards

For financial years starting on or after 1 January 2013, a number of IFRS have undergone significant changes that have been ratified by the European Union. The principal consequences of the changes and issues that have arisen in practice are discussed below. These are:

- IAS 19R Employee benefits;
- IFRS 13 Fair value measurement;
- IAS 1 Other comprehensive income;
- Annual improvements to IFRS 2009-2011;
- Standards that are not yet effective (IFRS 10, IFRS 11 and IFRS 12).

IAS 19R Employee benefits

In March 2013, the International Accounting Standards Board (IASB) issued its ED[8] 'IAS 19 Employee benefits: Defined benefit plans: employee contributions'. This contains the proposal that the employee contributions should be deducted from the pension expense in the period that the employees pay the contribution, on condition that the contribution relates exclusively to the period in question. In cases involving a contribution that is salary-related, it is assumed that this condition is met.

The ED does not clearly answer the question of whether the proposed arrangement should be seen as a simplification, or that it is a further explanation of the provisions of IAS 19R. In the latter case this would mean that this amendment to IAS 19R could already be applied in the 2013 financial statements. The European Securities and Markets Authority (ESMA) and the Dutch Accounting Standards Board (*Raad voor de Jaarverslaggeving*, or RJ) have urged the IASB to qualify the amendment as a further explanation. From the staff papers for the IFRS IC meeting[9] of 10 and 11 September 2013 and the IFRIC update[10] of September 2013, it may be inferred that the IASB intends to accede to the wishes of ESMA and the RJ. Companies are urged to follow the announcements of the IASB.

IAS 19R states that amendments must be applied retrospectively. This means that the reporting should assume that the amended standard has always been applied. In this context, the AFM notes that paragraph 39 of IAS 1 prescribes that the amended statement of financial position at the beginning of 2012 should be included as well as the statements of financial position at year-end 2012 and 2013.

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[8] Exposure Draft
[9] International Financial Reporting Standards Interpretations Committee meeting
[10] Newsletter of the IFRS Interpretations Committee

The RJ recently amended its manual RJ-Uiting 2013-9: 'Amended advice on the application of IAS 19R for pension plans in the Netherlands' in response to the above-mentioned proposals regarding employee contributions. The AFM wishes to note that it was not involved in the preparation of this advice, and that this document does not correspond to the AFM's interpretation of IAS 19R in all respects. To avoid differences in interpretation, the AFM urges listed companies in any case to follow the provisions of IAS 19R in the preparation of their financial statements.

IFRS 13 Fair value measurement

Now that IFRS 13 has taken effect, the provisions for fair value measurement and the provisions for the disclosures are concentrated in one standard. Until 2013, these provisions were included in various standards that prescribed or permitted the application of fair value measurement. These provisions were not consistent in all respects. Furthermore, IFRS 13 includes prescriptions for the disclosures. The disclosure requirements have been significantly extended. The disclosures must enable the users of the financial statements to understand that measurement techniques and the data used in the determination of fair value. The disclosure must also state the effect of the application of fair value on the result.

Regarding the 'unit of account'[11] the IASB has been asked how to deal with control premiums[12] in the valuation of blocks of shares. On the one hand, IFRS 13 states that the application of measurement techniques should take account of the characteristics of the asset or liability and that observable market data should be adjusted to take account of factors such as control premiums. On the other hand, it says that no adjustments may be made that are not consistent with the unit of account. The IASB is currently consulting on this issue. The provisional decision is that in the case of subsidiaries, joint ventures and associates with significant influence the whole enterprise is the unit of account, and therefore it is acceptable to take account of control premiums or discounts. For other investments in shares, this means that such adjustments are not possible. Until the standard is clarified, the AFM expects companies to disclose how they deal with this item.

IAS 1 Other comprehensive income;

With effect from 1 January 2013, IAS 1 prescribes that within 'other comprehensive income' the items that are recognised at any time in the income statement, such as changes in value of financial instruments classified as 'available for sale' (recycling), should be presented separately from the items that do not involve recognition in the income statement, such as revaluations of property, plant and equipment.

[11] This concerns the question of whether in case of a block of shares each share is measured individually, or the block as a whole.
[12] This is the price paid to assume control of a company.

Annual improvements to IFRS 2009-2011

A number of IFRS standards have been revised and improved once again with effect from the calendar year 2013. These concern minor improvements arising from the Annual improvements cycle 2009-2011. In IAS 1, the requirements in relation to comparative information are clarified, and IAS 16 now states that maintenance equipment and reserve elements meeting the definition of property, plant and equipment cannot be recognised as inventory.

Standards that have not yet taken effect

The standards relating to the consolidated financial statements, joint ventures and the associated changes to the disclosure requirements (IFRS 10, IFRS 11 and IFRS 12 respectively) will not have taken effect by year-end 2013. Paragraph 30 of IAS 8 states that companies must disclose the potential effect of standards that have not yet taken effect and have not yet been applied on their financial statements.

Partly in the context of the debate on ‘disclosure overload’, the AFM notes that this disclosure may be omitted if the potential effect of the new standard on the financial statements is not material.

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Appendix 1: Thematic Review Cash flow statement

1. Rationale, objectives and population thematic review cash flow statement

1.1 Rationale

The cash flow statement becomes more important to the extent that the financial situation does not improve. If cash is scarce, companies will increasingly need to monitor their cash flows. For this reason, in most studies the cash flow statement is considered to be one of the most important elements in the financial statements. The increasing attention on the generation and monitoring of cash flows by companies and their liquidity position has led to greater focus on the cash flow statement by users of financial reporting and supervisors.

The cash flow statement must present a ‘true and fair view’ of incoming and outgoing cash flows. On the basis of its desktop reviews, the AFM has established that the cash flow statement is the element with the most shortcomings in recent years. For this reason, six years ago the AFM conducted a thematic review of the cash flow statements for 2006 and returned to this theme last year.

1.2 Objectives: are the cash flow statements comprehensible and comparable, and do they give a faithful representation?

The thematic review of cash flow statements is intended to obtain information with respect to the following quality features of financial reporting as described in the Conceptual Framework:

- Comprehensibility: to be able to understand the cash flows presented in the context of the financial statements, it is important that the elements in the cash flow statement relate to other elements in the financial statements, such as the statement of financial position. Both mandatory reconciliations (the reconciliation of the cash position with the statement of financial position and discontinued operations) and voluntary reconciliations (net debt reconciliation and segment information) were reviewed.
- Comparability: IFRS allows freedom of choice with respect to various items. What options have companies chosen, and to what extent does the choice made affect the comparability of the cash flows with other companies in the same index or industry? Under this theme, a further review was made to establish which items form part of the ‘cash’ item and which variable companies use as the reference point for the operational cash flow prepared according to the indirect method;
- Faithful representation: this theme mainly involved consideration of whether the cash flows presented concern actual cash flows and whether the cash flows that have to be presented in a certain category are indeed included in this category.

We also considered the development in quality of the cash flow statement. In 2007 the AFM reviewed the application of the provisions for the statement of cash flows (IAS 7) in the financial reporting for 2006. We looked at the extent to which the considerations in the reporting of this thematic review were taken account of in the financial reporting for 2012. These mainly concerned: the incorrect inclusion of other (non-cash) changes in the investment and financing cash flows, the absence of accounting policies for cash flow statements and the wide variety in the reference points used for the indirect operational cash flow.

1.3 Population: 46 companies

The Cash Flow Statement thematic review was conducted on the 2012 financial reporting of public companies incorporated under Dutch law whose shares are listed on a regulated market in the Netherlands. Companies in the financial sector (banks and insurers) were left out of consideration. We randomly selected ten companies from each index (AEX, AMX and ASCX) and twenty companies listed locally. The selection included three companies that do not prepare their financial statements on the basis of IFRS and one company that had not (or not yet) prepared its financial statements for 2012. These four companies were accordingly left out of consideration and our review comprised 46 companies.

2. Key review results thematic review cash flow statement

The findings are shown in groups for each quality feature. The comparison of the findings of the thematic review on 2006 with the present review is included with the quality features in question.

2.1 Comprehensibility: companies are making an effort, but there is room for improvement

A majority of the companies reviewed are striving to make the information in their cash flow statement comprehensible to users of the financial statements. There is however room for improvement in this respect. To be able to understand the cash flows presented in the context of the financial statements, it is important that the elements in the cash flow statement relate to other elements in the financial statements, such as the statement of financial position. To achieve this, IAS 7 makes certain reconciliations mandatory and also encourages companies to provide extra information. The AFM has checked to establish the extent to which companies are complying with the requirements of IAS 7. We have also reviewed the literature with respect to the information required by users of the financial statements on this point. A summary of the extent to which companies are meeting these obligations and needs is given below.

The AFM encountered the following information and reconciliations in the financial statements reviewed with relative regularity:

- a reconciliation between the amounts in the cash flow statement and the corresponding items in the statement of financial position (95%), which is mandatory under IAS 7.45;
- a separation between cash flows relating to intangible non-current assets and property, plant and equipment (72%);
- references to the disclosures of items in the cash flow statement (67%);
- information on financing facilities available but not taken up (63%), the provision of which is encouraged by IAS 7.50.a.

The AFM encountered the following information and reconciliations with significantly less regularity:

- 43% of the companies determining their operational cash flow using the indirect method showed the changes in the net working capital per item in the statement of financial position separately. In going through the cash flow statements, the AFM noted that several companies made a visual distinction between the changes in net working capital and the other adjustments to the result. This improves clarity;
- Only 9% of the companies showed a reconciliation between the change in the net debt position and the net cash flows, including the effect of debt in acquired or divested companies and exchange rate differences;
- Only 4% of the companies made a separation between the investment due to replacement and investment for the purpose of expansion. IAS 7.50.c encourages companies to provide this information;
- Only 4% of the companies presented cash flows relating to unusual or extraordinary transactions separately;
- Only 3% of the companies with more than one segment showed the cash flow information for each segment. IAS 7.50.d encourages companies to provide this information.

The reconciliation between the cash flow statement and the statement of financial position (IAS 7.45) is mandatory for all companies and must always be included in the financial statements. The AFM, moreover, urges companies to include the above-mentioned points in their financial reporting for 2013. Companies will thus meet the needs of the users of their financial statements.

2.2 Comparability: extensive freedom of choice means that company-specific accounting policies are needed

Cash flow statements of different companies are not easily comparable. The reason is that IAS 7 offers extensive freedom of choice to companies with regard to presentation. Companies must present their cash flows from operating, investment and financing activities in a way that is most appropriate to their activities. This method of classification provides information whereby users can form an impression of the impact of these activities on the financial position and the cash and cash equivalents at the company's disposal. This information can be used to understand the mutual relationship between these activities.

Investors can choose between alternatives. This means that it must be possible to compare the information on one company with the information provided by other companies. This is why it is important that users understand the choices a company has made in the preparation of its cash flow statement. Information on these choices should be stated as an accounting policy for the cash flow statement.

The AFM notes that the greatest variety concerns:

- the decision by companies regarding what constitutes cash and cash equivalents (such as prepayments in current account and time deposits); and
- the classification of dividend received.

Companies are more consistent on the following points:

- the choice of an indirect cash flow statement and the reference point for this; and
- the classification of dividend paid.

Most of the companies state all or some of the choices they have made in an accounting policy. In most cases, however, the policy is stated in generic terms ('boilerplate') and contains little company-specific information, meaning it is difficult for users to interpret the information in the cash flow statement.

Indirect versus direct cash flow statement

Despite the preference of the International Accounting Standards Board (IASB) for a cash flow statement prepared according to the direct method, 89% of the companies use the indirect method. This is a small change compared to six years ago, when 100% of the companies reviewed prepared their cash flow statement according to the indirect method. One of the companies that did prepare its cash flow statement using the direct method stated the calculation of the operational cash flow according to the indirect method in its disclosures to the financial statements. This initiative positively affects comparability with its industry peers.

Even if the operational cash flow is determined indirectly, the cash flow statement must be based on actual or in any case approximated cash flows. Determining a cash flow statement indirectly cannot be the same as looking for reconciliation with the changes in the statement of financial position at line level, since this does not in all cases lead to the cash flow or an approximation thereof. One of the advantages of determining the operational cash flow using the indirect method is that this type of cash flow statement shows the net differences between the operating result and the cash flow of operating activities. Investors use this information to form an opinion regarding the quality of earnings and in order to obtain a better understanding of the company's ability to generate positive cash flows from 'ordinary activities'.

Companies calculating their operational cash flow using the indirect method use the following reference points in their 2012 financial statements:

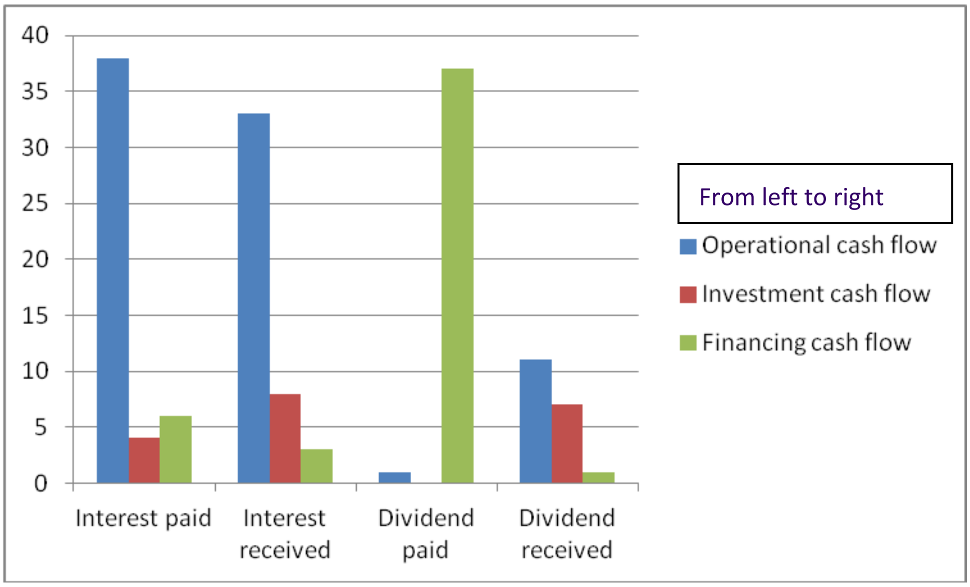
- result after tax (53%);
- result before tax (27%);
- EBIT (earnings before tax and interest) (17%);
- EBITDA (earnings before tax, interest, depreciation and amortisation) (3%).

This variation in reference points is more or less the same as in the review conducted six years ago.

Classification

IAS 7 offers freedom of choice as regards the classification of various items. Based on the presentation of interest and dividend in the cash flow statement, the AFM has listed the categories in which companies present these items. The findings are shown in the figure below. Since some companies present an item in more than one category, not all the items add up to 46. It is notable that the variation in the presentation of dividend received is much greater than for the other items.

Figure 1: classification of cash flows



Accounting policies

The AFM found a description of the accounting policy applied in more than 84% of the companies. This represents an improvement compared to six years ago, when only 60% of the companies included an accounting policy for the cash flow statement in its 2006 financial statements. The main accounting policies found by the AFM in the 2012 financial statements were:

- the choice of direct or indirect method (65%);
- the choice of which items are treated as cash and cash equivalents (52%);
- the choice of classification of interest (35%);
- the choice of classification of dividend paid (26%);
- the choice of classification of tax (22%);
- the choice of classification of dividend received (11%).

Given the variety of cash management and banking agreements around the world, a company is obliged to state the accounting policies it applies for the determination of the components of cash and cash equivalents. Time deposits, advance payments in current account and money-market funds may or may not be counted as 'cash', depending the company's treasury policy. In this connection it is notable that the AFM did not find any statement of accounting policy in relation to this item in nearly half of the financial statements it reviewed. It is also notable that the items with the greatest variety in classification are given the least description in the accounting policies.

The choice of the direct or indirect method for preparing the cash flow statement and the classification of interest, tax and dividend is apparent from the cash flow statement itself. It is notable that the AFM found very little other information on the cash flow statement in the description of the accounting policies.

In other words, the accounting policy is in most cases generic in nature ('boilerplate') and contains little company-specific information, even though this does not have to be the case. In a couple of financial statements, the AFM for instance found a description of the way in which the companies concerned treat cash flows in foreign currency in the cash flow statement. In one other case, the AFM found a description of the way in which derivative instruments concluded for the purpose of hedging risk were treated in the cash flow statement. This provided valuable information to the users of the financial statements, and such additions add value for users.

2.3 Faithful representation: still under pressure

The AFM notes that the cash flow statement can still be improved in terms of giving a faithful representation. However, the AFM also sees that the cash flow statements in this review have improved in this respect in comparison to six years ago. Our understanding of a faithful representation in this context is that the cash flows presented should concern actual cash flows, and that the cash flows should be presented in the correct categories. Faithful representation also involves correct compliance with mandatory regulations.

Reported earnings are important to investors, however cash flows are at least as important. A company's potential for continued survival is shaped by its cash flows. The cash flow statement should show a company's ability to generate cash flows (from operations) and the need to use these cash flows. Since any material breach potentially can lead to an ill-informed investment decision, further improvement is needed here.

IFRS Interpretations Committee: the purpose of the cash flow statement

In 2012, the IFRS Interpretations Committee (IFRS IC) established that two methods are used to classify cash flows in practice:

- in accordance with the nature of the activities in a way that best corresponds to the activities of the company;
- in accordance with the classification of the related or underlying item in the statement of financial position.

The IFRS IC acknowledges that these two methods may contradict each other in some cases. It also acknowledges that the original purpose of IAS 7 was that the operational section of the cash flow statement should as far as possible reflect an income statement on a cash basis. It therefore takes the view that the first method should be applied.

A correctly prepared cash flow statement provides users of the financial statements, including investors, with the following information regarding cash flows:

- The operational cash flow shows the income statement on a cash basis;
- The investment cash flow shows only the changes in the non-current assets on a cash basis;
- The financing cash flow shows only the movements in funding, namely the non-current liabilities and the equity on a cash basis.

AFM: findings

The AFM found the following deviations from the requirements of IAS 7 in the 2012 cash flow statements:

- ten companies count items as cash and cash equivalents that under IAS 7 do not belong to this item. This concerns long-term time deposits and locked bank accounts;
- In the case of fourteen companies, it is not likely that the investments in intangible assets and property, plant and equipment represent cash flows. The cash flow presented reconciles one to one with the change in the related movement schedule. Taking account of investment creditors (among other things), it does not seem likely that this item represents the actual cash flow;
- Five companies presented cash flows in a category other than the category in which they are obliged to present them according to the standard.

From the above, one may conclude that the provisions of IAS 7 have been complied with in the majority of the cash flow statements reviewed. However, we still see significant shortcomings and any material breach of the principle of faithful representation is not acceptable. In view of the importance of the cash flow statement, the AFM therefore calls on all preparers to devote further attention to faithful representation in the cash flow statement and thereby to keep the purpose of the cash flow statement in mind.

Appendix 2: Thematic Review Reporting of credit risks arising from investments and accounts receivable

1. Rationale, objectives and population thematic review reporting of credit risks arising from investments and accounts receivable

1.1 Rationale

The AFM notes that credit risks are increasing in the current economic climate. Companies are increasingly often unable to collect their accounts receivable. Financial institutions are exposed to the same increased risk with respect to their outstanding loans and investments. In addition, banks need to improve the statement of their equity position and take a critical view with regard to the risks of their assets. For investors, it is important to know what credit risks exist and how companies are managing them. In particular, investors want to know the extent to which the increased credit risks have affected the measurement of important items in the financial statements. A company should therefore provide adequate transparency on these items in its financial reporting.

1.2 Objective: to check whether companies provide adequate transparency

IFRS 7 is principle based, and requires that a company ‘shall disclose information that enables users (or investors) to evaluate the company’s financial position and performance and the risks associated with financial instruments to which the company is exposed at the end of the reporting period’. Companies interpret this principle in various ways, and therefore the disclosures provided do not always correspond to the wishes of the users (or investors)[13]. We have also taken account of these wishes in our review of the transparency provided by companies on the credit risks to which they are exposed. One of the references we have used in this context is the report by the Enhanced Disclosure Task Force (EDTF). This group was set up by the Financial Stability Board (FSB) and consists of investors, analysts, preparers, auditors and standard setters. In accordance with its mandate, the EDTF has made recommendations for increasing the level of transparency provided to investors in financial institutions and thereby to increase confidence in the sector. These recommendations were published in October 2012.

In this review, we have focused on the transparency provided by companies with respect to the quality of the assets in question, the measurement techniques and the risks to which they are exposed.

[13] This is evidenced for instance from the following reports by the CFA Institute: http://www.cfainstitute.org/ethics/Documents/cfa_institute_user_perspectives_on_financial_instruments_under_ifrs.pdf and http://www.cfainstitute.org/ethics/Documents/financial_instruments_risk_disclosure_report_volume_1.pdf and the reporting of the Enhanced Disclosure Task Force: https://www.financialstabilityboard.org/publications/r_121029.pdf

The key objectives of the review are to obtain a picture of the quality of the disclosures of:

1. exposure to credit and investment risks, including credit quality and concentration risks;
2. impairments and the collateral obtained;
3. commonly used terms, such as 'non-performing loans' and 'restructured loans'.

1.3 Population: 39 companies

The thematic review was carried out using the 2012 financial reporting of Dutch companies subject to supervision whose shares were admitted to trading on Euronext Amsterdam as of 31 December 2012. The review included all the banks (five), insurance companies (four), banks/insurers (two) and 28 non-financial institutions. The non-financial institutions selected are cyclical companies, and include construction companies and companies whose business is related to construction.

2. Key review results thematic review reporting of credit risks arising from investments and accounts receivable

We have divided the banks and insurers and the trading and industrial companies in this section, since their core activities vary. The core business of banks and insurers is to hold financial assets (loans and investments). In the case of trading and industrial companies, accounts receivable are more a product of their core business.

2.1 Banks and insurers

2.1.1 Banks/insurers generally provide extensive information on their accounts receivable and investments, however transparency could be increased by introducing more structure (cohesion and association) in the disclosure

Most banks and insurers provide detailed information on accounts receivable and investments. Information on policy and procedures and the management of the associated credit risks is usually also tailored to the specific company. Many quantitative disclosures are also provided. Certain aspects are disclosed in only qualitative terms, or 'in the language of the standard' in only a few cases.

The AFM notes that a clear definition of the terms used in the financial reporting, such as 'non-performing loans', NPL or NPL ratio is important and that this is often omitted. These terms can be explained in various ways, such as: loans with payments in arrears, loans for which a provision has been formed, restructured loans, or a combination of all three. In one single case, more than one definition is provided, although in this case it is not clear which definition applies in the disclosures.

There is room for further improvement with respect to transparency (and accessibility). Credit risks and items are disclosed from various perspectives in some cases, for example by sector, nature or rating, however the meaning of and relationship between these disclosures are not always made clear. The reconciliation with the position in the statement of financial position cannot always be discerned, or at least not easily. A logical sequence between and reference to the disclosures of maximum credit risk, credit quality, concentration risk, collateral and measurement would make the disclosure clearer.

The following findings and recommendations relate to the aspects involved in the evaluation of risks. These are the exposure to credit and concentration risk, the credit quality and the collateral.

Exposure to credit risk – reconciliation between the statement of financial position and the disclosures can be improved

There are two types of credit risk: the maximum exposure to credit risk without taking account of collateral, and net credit risk, in which collateral is taken into account (known as 'exposure at default').

Only a limited number of the banks and insurers present a total overview of their maximum exposure. This is an overview of every account receivable and investment, regardless of the method of measurement and/or classification. Without this total overview, reconciliation with the statement of financial position is often difficult or impossible. This is partly due to the fact that IFRS does not require disclosure of the maximum credit risk of accounts receivable and investments that are measured at fair value. Strict application of IFRS does not improve clarity, and it is questionable whether the general objective stated in IFRS 7 is met. This does occur if accounts receivable and investments that are measured in different ways and recognised in one item in the statement of financial position are shown in a total overview.

Furthermore, it is not always clear which disclosure shows the maximum exposure to credit risk, since several disclosures are included that appear to be similar.

The purpose of disclosures of credit quality and concentration risk is not always clear

The information provided on the credit quality of the net exposure varies. For outstanding accounts receivable from customers, banks usually provide overviews on the basis of internal weights and ratings and on the basis of the Basel II[14] approach. These disclosures, both of which are useful, do not always reconcile either with each other or with the statement of financial position in some cases. The reason for giving two disclosures is also not always clear.

[14] Ratings for prudential purposes

In general, attention is devoted (either explicitly or otherwise) to concentration in the portfolio. This is important, because the degree of concentration per sector or nature of activities provides information on the risks that these companies are exposed to. Here too, the degree of detail provided varies. A qualitative disclosure is not always supported by quantitative data. It is also not always clear whether the disclosure (for instance, accounts receivable per sector or geography) is intended as a disclosure of credit quality or a disclosure of concentration risk.

Some banks link concentration risk in lending to a single customer, while the disclosure provided by others focuses on one sector or portfolio. A number of banks also provide a qualitative disclosure, for example in relation to specific products and portfolios for which a particular risk is recognised and of the approach taken to deal with this.

For a proper understanding of concentration risk, it is not always sufficient to include a classification per sector and geographical region. It is indeed the combination of these two overviews, for instance in matrix form, that makes it possible to understand the nature of the concentration risk. It is also important that companies provide further information with respect to these overviews.

Insurers provide information on the credit quality of their investments by disclosing the rating, in some cases grouped by geographical region, type of debtor and type of loan. Here too, it is not always clear whether the disclosure relates to quality or to concentration.

The AFM notes that it is important to consider (or reconsider) which disclosures (relating to quality and/or concentration) require additional attention each year. In 2010 and 2011, there was much interest in exposure to peripheral eurozone countries. Many banks and insurers have since reduced their positions in these countries. The AFM sees that the disclosures of these positions are still extensive, although they are perhaps less relevant at this time. Disclosures of other important matters on the other hand could, as part of the disclosure of concentration risk, have become more relevant. Banks and insurers need to be continually aware of this point.

Nearly half of the banks provide no disclosure of collateral per category and the measurement thereof

Only four out of seven banks provide a list stating the account receivable or investment and the nature and size of the collateral for each category. The disclosure of the method used to measure the collateral ranges from concisely to highly-detailed. If collateral leads to a material mitigation of risk, the AFM expects to see a detailed disclosure. This should explain the nature of the collateral, the way in which the value of the collateral is established and the degree to which there is a situation of ‘overcollateralisation’ (the value of the collateral is greater than the amount of the outstanding account receivable) per category of account receivable.

Apart from derivatives, the disclosure of collateral by insurers is less material and is less extensive than that provided by the banks.

The disclosure of payments in arrears by banks could be clearer, and by insurers more detailed

Payments in arrears at banks are rising due to the economic conditions. The disclosure of this varies. All the banks include an overview of payments in arrears on accounts receivable for which no provision has been formed. This does not include all types of receivable in all cases. The relationship with other overviews is moreover not clear in all cases.

Only two out of six insurers provide information on payments in arrears for the debt instruments recognised as financial non-current assets ‘available for sale’. These debt instruments represent a large part of the portfolio. The AFM sees room for further improvement here.

2.1.2 Banks provide too little information on restructured loans (forbearance)

In the current economic conditions, all banks are seeing an increase in the provision for loans provided. Banks must disclose the measures used to manage impairments and they must provide information on their analysis of the age of outstanding items. Given the market conditions, investors value a qualitative and quantitative disclosure with respect to restructured loans (forbearance). This concerns the measures used, how the effects are recognised in the financial statements and the financial impact. Only one bank provides quantitative information on forbearance, although all the banks disclose that they have restructured loans. Improvement is required here.

Nearly all the banks provide a qualitative disclosure of the terms and methods they use in the identification of impairments. This is also required under IFRS. Three of the seven banks provide a further analysis of portfolios for which individual or collective provisions have been formed. IFRS requires only an analysis of the individual items for which a provision has been formed, however the AFM notes that an analysis of items for which both individual and collective provisions have been formed can be useful for an evaluation of the loan portfolio.

2.1.3 The disclosure by banks/insurers of 'assets held for sale' could provide more information regarding the risks of impairment

Changes in the value of financial assets held for sale are in the first instance recognised in equity. A positive or negative revaluation reserve is thus created. The income statement is only affected if there is a sale or an impairment.

Although very few impairments were recognised in the 2012 financial year, the disclosure regarding the revaluation reserve could be improved, as stated below.

Disclosures providing information on the risk of a future impairment are either not included or very limited. A further analysis of investments with a negative revaluation reserve is therefore usually missing. The AFM advises companies to include a breakdown of their negative reserves by sector and/or country. A disclosure of the reason why an impairment is recognised or not in the case of negative reserves is also relevant information.

One insurer provides an overview of the negative revaluation reserve per type of asset in the financial statements and discloses the assessment made with respect to potential impairments.

This disclosure is mainly important for insurers. The portfolios of assets available for sale at banks are generally not so large.

2.2 Trading and industrial companies

In view of the current economic circumstances, the AFM expected trading and industrial companies, especially those in cyclical sectors, to pay specific attention to credit quality and concentration risk. We see this only to an insufficient extent. The AFM does not see great changes in the level of the provisions in relation to the outstanding accounts receivable. Given the economic conditions, companies could have provided a disclosure of this.

2.2.1 Better disclosure needed of contracts for third parties

It is notable that the assessment of the maximum credit risk by companies performing contracts for third parties sometimes includes the balance not yet invoiced and sometimes does not. This balance of 'contracts for third parties' occurs for instance with construction companies and other technical service providers, engineering companies and software developers. This involves credit risk to some extent. It can be important to include this item in the disclosure of credit risk.

2.2.2 Disclosure of credit quality and concentration risk can improve

Half of the companies state that they are not exposed to concentration risk. Moreover, many companies do not provide any information on concentration risk. Companies that do provide information state the share of their largest customer or the geographical diversification. The AFM would have expected to see a disclosure of concentration risk by more companies, given the nature of the companies included in the review. In this context, the disclosure of credit quality can also be improved. Only a minority of the companies reviewed provide a disclosure of credit quality.

2.3 Other - banks provide little or no information on the assets that have not (or not yet) been provided as specific collateral

In its review of the reporting of credit risks, the AFM has also considered the disclosure by banks of assets that have not yet been placed by them as collateral. Although these do not directly relate to credit risk, the AFM considers it important that its findings should be included in this reporting.

In the evaluation of credit quality, it is also important that investors understand the assets available for use as collateral and the quality of these assets. The evaluation of credit quality can be influenced by the quality and size of the assets that have been provided as collateral.
Banks often provide information on securitisations and the extent to which assets from this are still available as collateral. This disclosure is not clear in all cases, for example regarding the remaining availability of parts of the securitisation that are retained within the group.

The structure of the disclosure of the assets placed as collateral can be improved. Sometimes the disclosure in question is provided in the disclosure of the item in the statement of financial position, and sometimes an overview of pledged assets is provided as a separate disclosure. It is also the case the disclosures are provided at different points for various types of activity. Further information on the nature of the pledged assets and the conditions of the pledge is not provided in all cases. The relationship with the liabilities with which the placement of collateral is associated is not explained, or only to a very limited extent. This makes it difficult to obtain a total picture of the pledged assets, the funding structure and the availability of assets for all creditors.

Furthermore, none of the banks provided a total overview of the assets still available as collateral. In one case, the bank in question stated that it would disclose this in future. The AFM wishes to note that a total overview of already pledged assets does not necessarily provide information on which assets are still available for use as collateral, for instance in order to raise liquidity. It is therefore important that the banks provide a statement of assets still available for use as collateral.

Apart from derivatives, the disclosure of assets placed as collateral by insurers is less material and is less extensive than that provided by the banks.

Appendix 3: Thematic Review Provisions, contingent liabilities and assets

1. Rationale, objectives and population thematic review provisions, contingent liabilities and assets

1.1 Rationale

In times of financial uncertainty, provisions in the financial statements appear to become more significant. Taking account of probable future expenses if the company has a liability is permitted. The question of whether a provision should be formed requires very careful consideration by the company management. The reporting standard for provisions (IAS 37) includes a number of requirements for the disclosure of provisions that are intended to prevent the risk of excessive influence on the result. A company must therefore include a movement schedule in its financial statements for each category of provisions. A company must also describe the nature of the provision, as well as the uncertainties with respect to the amount and timing of the potentially associated outgoing cash flows.

1.2 Objective: transparency

The thematic investigation of the application of IAS 37 is designed to evaluate the degree of transparency with respect to provisions, contingent liabilities and contingent assets on the basis of the disclosure requirements of IAS 37. Companies are encouraged to improve the quality of their financial statements on this point where necessary. The investigation was not designed to assess whether the reporting requirements for the recognition and measurement of provisions were correctly applied.

1.3 Population: 54 companies

In the design of the thematic review, we decided to include all companies featured in the AEX, AMX and AScx indices, to the extent that their financial reporting falls under our supervision. We omitted financial institutions from the population, as the standards dealing with financial instruments (IAS 32, IAS 39 and IFRS 7) and insurance contracts (IFRS 4) are much more important than IAS 37. This brings us to a total population of 54 companies.

2. Key review results thematic review provisions, contingent liabilities and assets

2.1 Provisions usually have only a limited effect on financial position and performance

The effect of the item of provisions on the total financial position, net profit and equity is limited. The provisions recognised amount to more than 5% of the total financial position in only nine cases, and the AFM did not encounter any financial statements in which provisions amounted to more than 10% of the total financial position. The effect of provisions on net profit is also limited. The movement in provisions amounted to more than 5% of net profit in fourteen cases, and the release from provisions exceeded this percentage in only five cases.

The effect of provisions is slightly greater with respect to equity: 26 out of 54 companies recognised provisions that exceeded 5% of their equity. In four cases the provisions recognised amounted to more than 25% of equity, however this concerns companies with a relatively high degree of leverage; the equity of these four companies amounts to not more than 15% of their total financial position.

Five companies did not report any provisions at all. One of these companies is in the AMX index, and the others belong to the AScx. In one case, the reporting of no provisions (for instance, with respect to guarantees) would not appear to be consistent with the company’s activities (goods delivery).

The AFM notes that the item of provisions is not particularly significant in most of the cases investigated. The importance of this item to users is therefore also limited in most cases. The findings we detail below should therefore be viewed in that light. The AFM’s investigation did not assess whether the reporting requirements for the recognition and measurement of provisions were correctly applied.

2.2 The disclosure requirements pursuant to IAS 37 have been properly applied

The majority of companies provide clear movement schedules for their provisions. In only two cases, no distinction was made between the use of a provision and the release of a provision. This reduces transparency with regard to the appropriation, use and necessity of the provision. More than half the companies report comparative figures for each type of movement in addition to the mandatory movement schedules. Comparative figures are not mandatory under IAS 37. All the companies present comparative figures for each provision at year end. Elements such as the accounting policy, uncertainties and the timing of cash flows also frequently appear in the disclosures. In general, the detail in the disclosures depends on the importance of the specific provision. The AFM is pleased to note that the disclosure requirements have been properly applied.

2.3 In 22 cases, the disclosure of contingent liabilities is perfunctory (use of ‘boilerplate language’)

The AFM encountered a disclosure of contingent liabilities in 49 financial statements. In 22 cases, the text provided was relatively standard in nature. The fact that a company may become involved in legal disputes with customers in the normal course of its business is an example of a very general description. The AFM would like to see more company-specific elements in these disclosures, since this would increase their relevance. 27 companies already provide this kind of detail. The AFM is pleased to note that some disclosures clearly state the matter in question, the management's expectations and the reasons for the decision not to form a provision.

2.4 Little or no mention of contingent assets in the disclosures

Only five companies report contingent assets. This item mostly relates to current legal proceedings that companies have initiated. On the basis of the disclosures provided, recognition of a contingent asset would seem to be appropriate. The AFM considers it remarkable that no contingent assets are recognised in 49 out of 54 financial statements it investigated. We consider it likely that more companies actually have contingent assets, in which case this should be disclosed.

Appendix 4: Thematic Review Listed companies and integrated reporting

1. Rationale, objectives and population thematic review listed companies and integrated reporting

1.1 Rationale

The reason for this thematic review is the development towards integrated reporting in the external reporting of listed companies and the demand from users for more non-financial reporting. Integrated reporting is a form of annual reporting that enables companies to provide information on the connection between strategy, governance, performance and prospects, and on the social, economic, financial and environmental context in which the company operates.

Furthermore, a company's ability to create value is determined mostly by factors that cannot be directly measured in financial terms, such as employee commitment, the use of natural resources and the relationships with customers, suppliers and local communities, not only by the net assets in its statement of financial position. Integrated reporting, whereby non-financial aspects are also reported, provides more information on a company's actual value and value creation and the effects of the business strategy in the short, medium and long term.

This new form of reporting is currently undergoing intensive development. A draft framework for integrated reporting was published by the International Integrated Reporting Council (IIRC) in April 2013.

The aim of integrated reporting is to increase the transparency of reporting and is therefore entirely consistent with the AFM's strategic objective of promoting the fair and efficient operation of the financial markets. Integrated reporting moreover meets a need that has arisen as a result of a change in the information needed by investors. It is expected that this type of annual reporting will develop over the next few years into the most important source of information for investors and other stakeholders on a company's status and operations. Companies that adopt integrated reporting could therefore benefit from a first-mover advantage.

Integrated reporting will make it possible for countries with a government policy that is more future-oriented and sustainable and companies that operate in a socially responsible way to compete fairly with other jurisdictions and companies. By having a good focus now, a better starting point for the future conduct of the business will be created. Integrated reporting can positively contribute to a company's brand and reputation. These matters are becoming increasingly important to purchasers of products and services.

The AFM considers being well-prepared for this process of future changes to corporate reporting as part of its supervision of the capital markets. The AFM also endorses the concept of integrated reporting, as this enables companies to provide more relevant information to their investors and other stakeholders.

The AFM takes the view that market parties should take the lead in the further development and formulation of integrated reporting, whereby the role of the supervisors is limited to encouraging the development of integrated reporting. Enforcement will only be appropriate once the concept of integrated reporting has become more mature. The AFM supports the development and application of integrated reporting and will use the results of this review to monitor developments.

1.2 Objective

The objective of the thematic review of integrated reporting is to obtain information on the extent to which listed companies are applying the principle of integrated reporting in their financial reporting.

1.3 Population: 41 companies

For our thematic review, we looked at the 2012 annual reports of companies subject to supervision in the Netherlands and whose shares were admitted to trading on Euronext Amsterdam on 31 December 2012. The companies are divided across the AEX (eleven), AMX (ten), ASCX (ten) and other locally listed companies (ten). The draft framework for integrated reporting published by the International Integrated Reporting Council (IIRC) in April 2013 was used as the framework of standards for the review. At the time of the review and the reporting thereof, this draft framework had not yet been finalised.
Prior to the review, we also conducted interviews with eight stakeholders (users, providers and auditors) on the subject of integrated reporting. We also used the input from these interviews in the design of our review.

2. Key review results thematic review listed companies and integrated reporting

2.1 The quality of the reporting of non-financial information can be improved in terms of relevance, conciseness, accessibility and coherence

The concept of integrated reporting is relatively new, and its form and regulation are still at an early stage. The draft framework for integrated reporting published in April 2013 is expected to take definitive shape towards the end of 2013. Many companies are conscious of the importance of reporting non-financial information and have begun to experiment with this approach. This is evident from the various ways in which non-financial information is reported. It is mainly the AEX companies that have taken the lead. As we will see further on in this report, the AEX companies score higher on all aspects of integrated reporting than the other companies. The local companies (other listed companies) scored lowest in this regard. The scores for the AMX and ASCX companies were average, but there were, however, substantial variations in this group.

Financial reporting, usually referred to as the annual report, consists of the following elements:

- Directors' report;
- Financial statements (consolidated and separate);
- Other data.

In the review, we treated all the sections appearing before the consolidated financial statements as the directors' report. In other words, the sections on corporate governance, risk management, segment reporting and management remuneration are treated as part of the directors' report.

Integrated thinking and reporting

During our review, we encountered two companies that publish an annual report that they refer to as an 'integrated report'. Five other companies (four from the AEX and one from the AMX) do not use this title explicitly, but their reports contain many of the elements that are addressed in the draft framework for integrated reporting. The strategy, objectives, activities, financial and non-financial information, stakeholder dialogue, risks and opportunities and management remuneration are discussed extensively and as a whole. In addition, we see that these companies embrace the concept of integrated thinking, which is the basis for integrated reporting. Integrated thinking means that the company establishes the relationship between its strategy, the economic context, the environment, the social context, and risks and opportunities. This is intended to create value over the medium to long term. Companies that have already made considerable progress in the field of integrated reporting all have a history of reporting non-financial information and may rightly be called pioneers in this respect.

Sustainability and CSR reports

Integrated reporting involves more than simply publishing a report containing both financial and non-financial information. During the review, we encountered several companies that had included sustainability information in their financial reporting and thereby considered that they had published an integrated annual report. It should be clear that this is not what the concept of integrated report means.

More than 20% of the companies publish a separate sustainability or CSR report. Around half of these are companies in the AEX. The number of companies from the other indices was equally divided. It is also possible that the actual number is higher in practice, since these separate reports are often published later during the financial

year than the annual report, which has to be published by 30 April. We did not take account of separate sustainability or CSR reports during our review.
The vast majority of the companies include their non-financial report in the directors' report, that is, the section before the financial statements.

International standards
We furthermore observed that more than half of the companies prepare elements of their non-financial information on the basis of the international standard for sustainability reporting, the Global Reporting Initiative (GRI). Other frequently occurring references to national and international standards are, for example, the principles of the UN Global Compact, ISO 14001 Environmental Management, the Greenhouse Gas Protocol, the transparency benchmark of Economic Affairs and the CO_2 Performance Ladder.

Size, relevance and materiality
The size of the directors' report in relation to rest of the annual report varies in each case, but it is often relatively large. In many cases the directors' report accounts for around half of the total report. The annual reports of the AEX and AMX companies are especially lengthy, sometimes comprising approximately around 400 pages. We note that the extensive statements about the company, its activities, photographs and repetition of information and the inclusion of the separately published sustainability or CSR report in some cases are the reason for this. This information makes the annual reports unnecessarily long, inaccessible and difficult to read. Conciseness, relevance, readability and coherence are important factors in the integrated reporting concept. These aspects were also mentioned as important during the interviews we held with the various stakeholders. They would prefer a concise report that presents only relevant information. The message is 'less is more', rather than the current situation of 'more is better'.

According to the draft framework for integrated reporting, only material information should be reported: matters that are really important for the company. This will reduce the size of the report and make it more accessible. One way to achieve this is a materiality analysis conducted by a company in consultation with its stakeholders. During our review, we found one company that provided information on this process. Its annual report contains a materiality analysis matrix.

Companies need to find a form whereby they meet both the statutory requirements (the directors' report, the financial statements and the other data), which are mainly financial in nature, and report relevant, cohesive and concise financial and non-financial information.

Auditor
A small minority of the companies (15%) had their non-financial information explicitly assessed by an auditor. The assurance statement by the auditor attached to the non-financial information usually takes the form of a combined audit opinion and a review report. The auditor thus assigns greater audit certainty to certain elements of the non-financial information in the annual report than to other elements regarding the accuracy and completeness of the information concerned. In some cases we found only an audit opinion, or only a review report. In all cases the statements were made by an auditor from one of the big-4 audit firms (KPMG, PWC, EY and Deloitte).

2.2 Companies provide information on their mission, activities and markets; information on the earnings model and risk attitude could be improved

We investigated the extent to which information is provided on what the company does and how it creates and maintains value, in the short, medium and longer term. The aspects we investigated include the mission statement, information on activities, markets, products and services, earnings model, value drivers and attitude towards risks and opportunities.

Nearly all companies provide information on their mission, activities, markets, products and services. The number providing information on the earnings model, value drivers and risk attitude is significantly lower, at just over 65%. The earnings model and value drivers can mostly not be inferred from the directors' report. Few companies state the relationship between their strategy, business model and value drivers.

The review shows that the AEX companies score highest on this point, and the locally listed companies score lowest. The scores for the companies from the AMX and ASCX were average, however with significant disparity between individual companies.

2.3 A large majority of the companies provide a description of their strategy and its implementation; quantifying and translating this into KPIs needs attention, however

We investigated the extent to which information is provided on what the company does, where it wants to go and how it wishes to get there. Stakeholders, and especially investors, are very interested in a company's strategy and its implementation. This enables them to compare performance with the strategy and assess the company's ability to create value (also in the long term).

More than three quarters of the companies report on their targets and the strategy designed to achieve these targets. Here too, the AEX companies achieve the highest score. Nearly all AEX companies provide an explanation of their strategic objectives. The majority (approximately 80%) of the other companies from the AMX and ASCX and the locally listed companies also do this.

Quantification of targets

Less than half of all companies quantify their financial targets and translate these into key performance indicators (KPIs). There are large differences between the indices here. AEX companies score highest (over 80%) and locally listed companies score lowest (30%). The AMX and ASCX companies vary, with scores of around 40% - 50%. If the strategic targets are quantified, this almost always relates to financial targets.

Although strategy is generally described clearly, the fact that a large majority of the companies do not translate their strategy into KPIs that are of value to the users represents a missed opportunity. This information would put users in a better position to evaluate a company's performance.

Evaluation of performance

During the review, we looked at the information from which the company's performance in relation to its strategy could be inferred. We established that it is still not a simple matter for users to understand the connections between strategy, policy and objectives on the one hand, and realised and forecast performance on the other. Less than half of the companies state their performance in relation to their targets.

Key figures

The key figures that are reported are usually general in nature. Financial key figures usually consist of revenue, gross profit, operating result, EBIT, EBITDA, expenses, operational cash flow and solvency. Environmental measures reported include CO_2 emissions, use of paper, energy and water and production of waste. Regarding employees, the measures reported mostly concern employee involvement and satisfaction, absenteeism, education and training and the ratio of male to female employees. The number of key figures reported varies per company, and ranges from one key figure to more than ten.

Although companies report all these key figures, it is often not clear which should be considered important in the light of the company's strategy and the extent to which they are really KPIs. The challenge for the company is to make clear the relationship between the reported KPI and the strategy. Users want to know which strategic KPIs are used by the company leadership in its management of the business.

External factors

Slightly less than two thirds of the companies also report the most important negative and positive external factors affecting the company's performance. There is somewhat more extensive mention of the negative factors than of the positive. Over half of the companies express their view with regard to important economic, environmental and social factors.

2.4 All the companies include a report on governance and risk, but the information given on the tone at the top, the corporate culture, competences and management remuneration could be improved considerably

Governance, corporate culture and stakeholders

All companies provide information on governance. This is no surprise, as listed companies are obliged to comply with the corporate governance code. As a result of the ‘apply or explain’ principle, standard texts are often used. This means that the informative value of the governance paragraph is usually limited and it forms an isolated element in the annual report.

Less than half the companies provide information on the strategic decision-making process. Around 30% of the companies provide information on the tone at the top and the corporate culture. Approximately half the companies provide information on their stakeholders. This information is frequently superficial, and amounts only to a statement that there is an ongoing dialogue with the various stakeholders. Information on who the stakeholders are and the issues discussed with them is absent in the majority of cases.

Competences and remuneration

A minority of the companies provide information that allows users to form an opinion on the competences of the management in relation to the company’s business activities. Significant improvements can still be made here by providing information on a broader layer of management. Companies could, moreover, provide information on how managers complement each other, and information showing that this is the right management team for the company’s current phase of development. This information is currently lacking. The information provided on the top management (the executive board) and the supervisory board usually consists only of a summary list of ancillary and other functions performed by the individual directors.

With respect to the remuneration policy of executive directors, it is often clear in many cases that the variable remuneration is partly based on criteria other than financial ones. However, it is not always clear to what extent environmental and social measures are included in the criteria. There is limited transparency with respect to non-financial measures in the remuneration of senior management. Only a small number of companies actually quantify these measures.

Risks, opportunities and legislation

Nearly all companies report on significant risks. More than 70% also report on their significant opportunities. The methods used to identify risks are described in 70% of cases. More than 80% report on how risks are monitored and include a description of the mitigating measures in place. The relationship between risk and the company's ability to create value is described in only a very few annual reports. None of the companies provide quantitative information to substantiate the risks recognised. More than 30% also report significant legislation and regulations.

2.5 The forward-looking information is too general, with very little substantiation from external sources

During our review, we considered the extent to which companies provide information on future opportunities, uncertainties and challenges. This concerns information on the way in which the organisation will deal with future challenges, and how it deals with short and long term expectations, and the impact thereof on its business model and performance. This is useful information for users wishing to gain a better understanding of the company's business and strategy in order to achieve sustainable value development.

Outlook

More than half the companies include forward-looking information. However, if an outlook is provided, this is usually for the short term, i.e. the coming financial year. Companies are very cautious regarding forward-looking statements. They usually revert to economic generalities, and give little company-specific information.

Substantiation and making information available

The information provided is substantiated by external sources in only a very few cases. A minority of the companies issue concrete forecasts for the coming year. A large majority provide information on trends and markets. Only a small proportion provides information on their competitors.

Here too, companies could make big improvements by providing more specific information on their future challenges and their approach to them. We have the impression that this information is available internally, but that companies are not keen to share it in their annual reporting. We also understand from the various stakeholders we interviewed that this information is provided at analyst meetings and road shows. The logic of excluding it in the reporting therefore escapes us.

2.6 The information provided on policy, the result, risk and risk management with respect to human rights, anti-corruption and bribery issues is minimal

The European Commission issued proposals with respect to non-financial reporting on 16 April 2013. These suggest that companies should include information on policy, result and risks with respect to the environment, personnel, human rights and anti-corruption. The proposal somewhat overlap with our review, and is expected to become mandatory in the foreseeable future. We therefore also considered how companies reported on these issues during our review.

The manner in which human rights, corruption and bribery are handled has serious consequences for the parties concerned. This can moreover have a serious effect on the company's environment and reputation. It is in the public interest that companies make proper arrangements in these areas. Furthermore, companies that fail to respect these issues may encounter serious financial consequences, especially as enforcement is intensifying in these areas. Information on these issues is therefore relevant to users.

Policy

Approximately 75% of the companies already provide a description of policy in the areas of the environment and human resources. The figure for companies reporting on human rights, anti-corruption and bribery issues is just over 30%.

Results of policy

About half the companies provide information on the results of their policy with regard to environmental issues and human resources. The proportion reporting on human rights is around 20%. Information on results in the field of anti-corruption and bribery issues is provided by approximately 12% of the companies.

Risks and risk management

Around 30% of the companies report on risks and risk management with respect to the environment. For human resources the proportion is higher, at around 40%. Here too the information on human rights, anti-corruption and bribery issues is the least, and is reported in only 15% of cases.

A large majority of the companies provide information on policy regarding environmental issues and human resources. However, only a small proportion gives information on the result, risks and risk management in these areas. Information given on human rights, anti-corruption and bribery is minimal, as regards policy as well as result and risks. All companies that failed to provide information on policy also failed to state the reason why no company policy has been formulated with respect to these issues.