



FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Review of listed companies' financial reporting in 2021

Companies listed on Oslo Børs and
Euronext Expand with Norway as their
home state

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1 Introduction

Finanstilsynet supervises that annual financial reports, half-yearly financial reports and other financial reporting by issuers of transferable securities which are quoted or for which admission to quotation has been requested on a regulated market in the EEA, are in compliance with laws or regulations. With effect from the annual financial reports for 2021, Finanstilsynet will review the format of the annual financial reports and the mark-up in consolidated financial statements based on IFRS¹ (European Single Electronic Format). The purpose of the review is to identify significant reporting inconsistencies. Finanstilsynet also supervises the companies' audit committees.

The purpose of this report is twofold:

- 1) Provide information about completed review activities.
- 2) Provide information about prioritised areas in Finanstilsynet's review of annual financial reports for 2021.

¹ International Financial Reporting Standards

2 Completed review activities

Finanstilsynet carries out various forms of reviews of listed companies' financial reporting. An overview of review activities completed in 2021 can be found below.

Finanstilsynet will also publish a separate report on vetting of prospectuses.

2.1 Thematic reviews and survey

2.1.1 Survey of the audit committees' work

On the basis of amendments to the provisions of the Public Limited Liability Companies Act concerning audit committees², Finanstilsynet has reviewed how audit committees fulfil the requirements and tasks following from the Public Limited Liability Companies Act during 2021. The target group for the survey was a selection of companies with shares listed on Oslo Børs or Euronext Expand as at 31 December 2020. The selection comprised 131 companies. The questionnaire used is available on Finanstilsynet's website.³

The new provisions increase and clarify the tasks and requirements to be fulfilled by the audit committee and will entail a greater need for accounting and audit expertise among the audit committees' members.

Thus far, Finanstilsynet has noted that the answers to the questions partly reflect that the amendments entered into force on 1 January 2021, and that there are wide variations in how far the companies have come in meeting the new requirements. There are also differences in how the audit committees look upon and comply with the requirements and carry out their tasks. Finanstilsynet's observations relate to, among others:

- the composition of the audit committee
- the audit committee's assessment and monitoring of the auditor's independence and audit performance
- the audit committee's responsibility for preparing the company's choice of auditor
- the audit committee's preparations for the Board of Directors' follow-up of the financial reporting process
- the audit committee's monitoring of internal control and risk management systems

In early 2022, Finanstilsynet will publish a report with observations related to the audit committees' status and work to fulfil the new requirements and tasks set out in the Public Limited Liability Companies Act.

2.1.2 Audit committees and auditors' materiality levels

Finanstilsynet has published a report on audit committee and auditors' materiality levels.⁴

² Cf. Sections 6-41 to 6-43 of the Public Limited Liability Companies Act.

³ Finanstilsynet 2021: [Survey of audit committees](#) (in Norwegian only)

⁴ Finanstilsynet 2021: [Thematic review - Audit committees and auditors' materiality levels](#) (in Norwegian only)

Finanstilsynet has obtained information about the audit committees' understanding of materiality levels in connection with the reporting of financial information, as well as the materiality levels used by auditors when auditing a selection of public interest entities. The survey also covers how the auditor determines materiality levels and how the stipulated level affects the scope of the auditor's work.

The purpose of the review is to give stakeholder groups a better understanding of how audit committees relate to the auditor's materiality levels and how the quality of the communication between the audit committee and the auditor can be improved.

The survey shows that few audit committees have so far focused on how the auditor's materiality levels affect the quality (nature and scope) of the audit and the auditor's reporting. Furthermore, the survey shows that the materiality level set by the auditors is in accordance with the methodology used by the audit firms for all of the companies.

The audit committee and the auditor should have an ongoing dialogue about the performance of the audit and any significant matters identified by the auditor in order to make sure that the audit committee is familiar with the content of the additional report before the report and the auditor's report are submitted.⁵ The audit committees must also have an opinion of the auditor's materiality level.

2.1.3 Stranded assets – reporting from listed companies

Finanstilsynet has reviewed the companies' assessments concerning so-called stranded assets and climate risk. The review was based on Finanstilsynet's report 'Survey of companies' sustainability reporting'⁶, which was published in autumn 2020. It focused on companies stating that they had assets that were exposed to significant environmental or climate risk which could affect the value of the assets.

The review included 28 listed companies and was carried out to chart the companies' assessments of climate risk and assets that are considered to be or be at risk of becoming stranded assets. A report with the results of the review will be published on Finanstilsynet's website. Key observations are:

- **Climate risk and valuation:** Few companies state that they take climate risk into account in their valuation of assets.
- **Climate stranded assets:** Few companies state that they have assets that are considered to be climate stranded as at 31 December 2020, while several companies state that they have assets that may become climate stranded some time in the future.
- **Consistency in reporting:** Most of the companies state that they ensure consistency between the content of the company's sustainability report and the content of the accounts by carefully reviewing the annual financial reports.

The report also discusses ongoing regulatory development in this area.

⁵ Cf. Section 12-1 of the Auditors Act, cf. Article 11 of the Audit Regulations

⁶ Finanstilsynet 2020: [Survey of companies' sustainability reporting](#)

2.1.4 Thematic review and follow-up of IFRS 16 Leases

In 2020, Finanstilsynet conducted a thematic review of ten listed companies⁷ in connection with the entry into force of the new accounting standard IFRS 16 on 1 January 2019. The report from the thematic review, which was based on the annual financial statements for 2019 and the interim financial statements for the first half of 2020, showed different practices among the companies and how the companies have implemented the new rules on leases. Key observations from the thematic review:

- The companies generally provide few entity-specific and concrete disclosures on leases, and several of the companies do not consider the materiality of the information provided.
- There are wide variations in how the companies assess and calculate the incremental borrowing rate. Finanstilsynet observed inconsistencies in the way some of the companies determined the discount rate.
- When assessing the impairment of recognised right-of-use assets, one of the companies used IAS 17 *Leases*, which has been revoked.
- The companies generally provide little information about leases in their interim financial reporting, and none of the companies had disclosed how they assessed possible indications of impairment of right-of-use assets as at 30 June 2020, despite major market changes as a result of Covid-19.

Finanstilsynet has reviewed disclosures concerning leases in the annual financial statements for 2020 for around 40 companies to follow up the findings in the thematic review.

There is great variation in the quality and completeness of the disclosures. Finanstilsynet's observations partly match the observations from the thematic review, especially when it comes to the lack of entity-specific and concrete disclosures. Finanstilsynet observes that the companies generally reproduce the text in the standard. Finanstilsynet also made the following observations:

- Incomplete quantitative and/or qualitative information concerning major incidents, including sale and leaseback transactions. Finanstilsynet would like to remind the companies of the disclosure requirements in IFRS 16.59 (d) and IFRS 16.B52. If sale and leaseback transactions are structured in other ways than outlined in IFRS 16, Finanstilsynet expects the companies to provide information about the accounting principles used.
- Unclear or incomplete information about the accounting principles used by the companies to assess impairment of recognised right-of-use assets in the context of IAS 36 *Impairment of assets*.
- Use of discounted cash flows in maturity analyses of lease payments in accordance with IFRS 16.58 and IFRS 7 *Financial instruments – disclosures* (IFRS 7.39 and IFRS 7.B11D).

On the basis of findings discussed in the report from the thematic review published in January 2021, as well as findings in Finanstilsynet's review referred to above, there will be continued focus on IFRS 16 in the review of financial statements for 2021. See point 3.1 below.

⁷ Finanstilsynet 2021: [Thematic review IFRS 16 Leases](#) (in Norwegian only)

2.2 Review of alternative performance measures

Finanstilsynet's review has included annual financial reports, interim financial reports, company announcements and prospectuses. Finanstilsynet would like to highlight the following observations:

- Few companies have been observed to change or introduce new alternative performance measures as a result of Covid-19.
- Use of alternative performance measures where the labelling is not in accordance with the requirement for relevant and meaningful labels in the Guidelines on Alternative Performance Measures (the guidelines) issued by ESMA⁸. Finanstilsynet has observed both labels that do not adequately reflect the alternative performance measure's content and labels that do not reflect the fact that the alternative performance measure is an adjusted accounting variable.
- Finanstilsynet emphasises the importance of using unbiased alternative performance measures when describing the company's development, financial performance and current position.
- The companies must be aware that company announcements that include inside information and alternative performance measures are covered by the guidelines. For example, earnings release will in many cases be covered by the scope of the guidelines.

2.3 Finalised reviews

Finanstilsynet's letters to companies sent since the report published in November 2020⁹ are listed below.

Public letters on the review of financial reporting

2021 (available in Norwegian only)	Comments
Review of financial reporting – Norlandia Health & Care Group AS	The case concerned the follow-up of disclosures of disaggregated revenue from contracts with customers for geographical regions.
Review of financial reporting – XXL ASA	The case concerned measurement of right-of-use assets, measurement of and disclosures related to goodwill, as well as measurement of inventory.
Review of financial reporting – Havilafjord AS	The case concerned recognition and disclosures concerning loans to related parties, as well as assessments of indicators of a significant increase in credit risk (SICR), especially related to intra-group transactions.
Calculation of expected losses – DNB Bank ASA	The case concerned the calculation of stage 3 expected credit losses.
Review of financial reporting – Norlandia Health & Care Group AS	The case concerned disclosures of disaggregated revenue from contracts with customers.

⁸ European Securities and Markets Authority (ESMA): ESMA Guidelines on Alternative Performance Measures

⁹ Finanstilsynet 2020: [Review of listed companies' financial reporting in 2020](#)

Review of financial reporting – Polaris Media ASA	The case concerned disclosures related to changes in liabilities arising from financing activities.
Review of financial reporting – Electromagnetic Geoservices ASA	The case concerned disclosures related to changes in liabilities arising from financing activities.

2020 (available in Norwegian only)	Comments
Review of financial reporting – Norway Royal Salmon ASA	The case concerned disclosures related to changes in liabilities arising from financing activities.
Review of financial reporting – Havyard Group ASA	The case concerned recognition of revenue from contracts with customers.

Public letters on the review of alternative performance measures:

2021 (available in Norwegian only)	Comments
Review of alternative performance measures – Equinor ASA	The case concerned changes in the definition of an alternative performance measure used by the company.
Review of alternative performance measures – Europris ASA	The case concerned various issues, including labelling, prominence and lack of information concerning the alternative performance measures used.
Review of alternative performance measures – TGS Nopec Geophysical Company ASA	The case concerned non-compliance with the guidelines when using alternative performance measures in company announcements.
Review of alternative performance measures – PGS ASA	The case concerned non-compliance with the guidelines when using alternative performance measures in company announcements.

Other letters:

2021 (available in Norwegian only)	Comments
Decision on administrative fine – Polarcus Limited	The decision concerned late publication of the annual financial report.
Decision on administrative fine – Arribatec Solutions ASA	The decision concerned late publication of the annual financial report.
Decision on administrative fine – Interoil Exploration and Production ASA	The decision concerned late publication of the annual financial report.

Thematic reviews and survey:

2021 (available in Norwegian only)
Thematic review - Audit committees and auditors' materiality levels

2020 (available in Norwegian only)
Thematic review IFRS 16 Leases

2.4 Reporting weaknesses and deficiencies

2.4.1 Content of annual and half-yearly financial reports

On 24 June 2021, Finanstilsynet published an overview of deficiencies in listed companies' financial statements after reviewing the annual financial reports for 2020.¹⁰ Two companies had failed to publish a statement from persons within the issuer who are responsible for the financial statements and management report (statement of responsibility).

On 27 October 2021, Finanstilsynet published an overview of deficiencies in listed companies' half-yearly financial reports.¹¹ Eight companies had failed to publish a statement from persons who are responsible for the half-yearly financial statements and the half-yearly financial report (statement of responsibility).

Finanstilsynet sent letters to four companies whose statement of responsibility was incomplete. These companies had not stated the full name or position of those responsible in the statement of responsibility. Furthermore, a company that had failed to refer to its half-yearly financial report in the statement of responsibility has been followed up. The companies have publicly disclosed the shortcomings pointed out by Finanstilsynet.

Companies that have failed to publish formal documents:

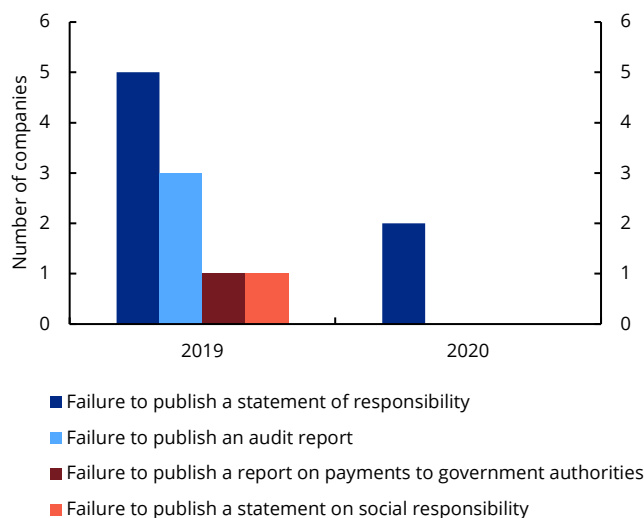
Annual financial report 2020	Half-yearly financial report 2021
Failure to publish a statement of responsibility:	Failure to publish a statement of responsibility:
East Renewable AB	AEGA ASA
Explorer II AB	Aqualisbraemar ASA
	BEWI ASA
	Centralnic Group PLC
	Flex LNG Ltd
	Klaveness Combination Carriers ASA
	Sogn Sparebank
	Salmones Camanchaca SA

Finanstilsynet observes that fewer companies have deficiencies in their reports for 2020 and the first half of 2021 than in the preceding period. Chart 1 shows the number of companies with deficiencies in their annual financial reports for 2019 and 2020, respectively. Chart 2 shows the number of companies with weaknesses and deficiencies in their half-yearly financial reports for the first half of 2020 and 2021, respectively.

¹⁰ Finanstilsynet 2021: [Annual financial report for 2020 – failure to publish a statement of responsibility](#) (in Norwegian only)

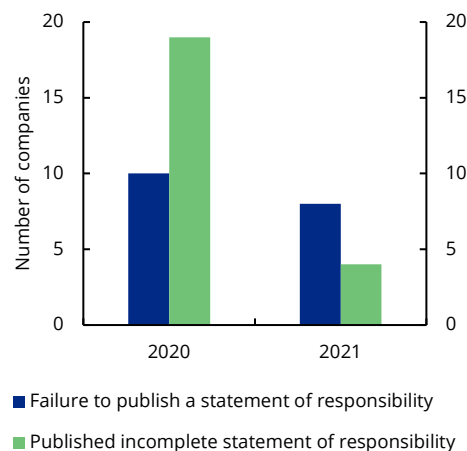
¹¹ Finanstilsynet 2021: [Half-yearly financial reports for listed companies 2021 – failure to publish a statement of responsibility etc.](#) (in Norwegian only)

Chart 1: Number of companies with deficiencies in their annual financial reports for 2019 and 2020



Figures as at 30 Sept. 2020
Source: Finanstilsynet

Chart 2: Number of companies with deficiencies in their half-yearly financial reports for the first half of 2020 and 2021



Figures as at 30 June 2021
Source: Finanstilsynet

2.4.2 Weaknesses in companies' reporting to Finanstilsynet

Finanstilsynet regularly uncovers errors in the companies' reporting to Finanstilsynet, for example in the reporting via Altinn (form KRT-1003), as referred to previously. In addition to this form, Finanstilsynet sends a request for information via a Questback form. Finanstilsynet has also identified weaknesses and errors in such reporting, including in Questback forms for audit committees and stranded assets. This is often due to the fact that persons without the right expertise or relevant knowledge carry out the reporting on behalf of the company.

Pursuant to the Securities Trading Act¹², companies are required to provide complete and correct answers in all correspondence with Finanstilsynet. Finanstilsynet expects the companies to establish satisfactory procedures to ensure that the information in all reporting to Finanstilsynet is of adequate quality. Finanstilsynet emphasises that this has been pointed out in published letters to several companies which have been subject to a review of financial reporting.^{13 14 15 16}

¹² Securities Trading Act, Section 19-2, subsection (7), cf. Section 17-6 of the Securities Trading Regulations

¹³ [Review of financial reporting – Norlandia Health & Care Group AS](#) (in Norwegian only)

¹⁴ [Review of financial reporting – Polaris Media ASA](#) (in Norwegian only)

¹⁵ [Review of financial reporting – Norway Royal Salmon ASA](#) (in Norwegian only)

¹⁶ [Review of financial reporting – Electromagnetic Geoservices ASA](#) (in Norwegian only)

3 Prioritised areas in the review of annual financial reports for 2021

The choice of prioritised areas is influenced by the Covid-19 and its after-effects. Finanstilsynet expects the companies to provide entity-specific information about the effects of the Covid-19 pandemic, including specific and concrete information about key judgements. In addition to the priorities described below, Finanstilsynet will, as in previous years, review issues that are material to the individual company.

Finanstilsynet's priorities are largely in line with the prioritised areas of the European Securities and Markets Authority (ESMA).¹⁷

In the course of 2021, Finanstilsynet has published three reports related to financial reporting from companies listed on a regulated market, as referred to in point 2.1. Experience gained through the work on these reports will be used as a basis for Finanstilsynet's review activities and the scope and design of the reviews of the companies' 2021 annual financial reports.

Finanstilsynet will review climate-related information in the annual financial reports of selected companies, including the auditor's report for 2021.

Finanstilsynet would also like to remind the companies that, with effect from the financial year starting on 1 January 2021, annual financial reports shall be reported in European Single Electronic Format (ESEF), cf. Section 5-5, subsection (8) of the Securities Trading Act¹⁸ and the Delegation Regulations¹⁹. This means that issuers who are required to prepare an annual financial report pursuant to Chapter 5 of the Securities Trading Act shall prepare the annual financial report in XHTML format. In addition, issuers who prepare consolidated financial statements in accordance with IFRS shall mark up these in Inline XBRL.

3.1 Review of annual financial statements

Prioritised areas in Finanstilsynet's review of companies' financial statements for 2021:

Impacts of Covid-19

- Going concern assumptions
- Significant judgments and sources of estimation uncertainty
- Presentation of and disclosures on Covid-19 related items
- Impairment losses and reversal of impairment losses
- Estimate of useful life
- Disclosures on the assumptions used when recognising deferred tax assets arising from carry forward of unused tax losses and unused tax credits
- Disclosures relating to government grants and government assistance
- Disclosures about and effects of supply chain challenges

¹⁷ ESMA 2021: [Public Statement on the European Common Enforcement Priorities 2021](#)

¹⁸ Finanstilsynet 2021: [Requirement for electronic reporting format for listed companies \(ESEF\)](#)

¹⁹ [Regulations of 3 June 2021 No. 2187 on rules corresponding to the regulation on regulatory technical standards on the specification of a single electronic reporting format](#)

Climate risk

- Consistency between the financial statements and other financial information ('non-financial information')
- Assessment of material climate risk in the financial statements
- Significant judgments and estimation uncertainty
- Materiality considerations

IFRS 7 *Financial instruments – disclosures*

- Disclosures on expected credit losses in credit institutions

IFRS 16 *Leases*

- Measurement and recognition of leases
- Disclosures related to leases

The listing of examples under each heading is not exhaustive.

3.2 Review of other financial information

3.2.1 Alternative performance measures

Finanstilsynet will oversee that the companies comply with the guidelines for the use of alternative performance measures. When reviewing alternative performance measures in the financial reporting for 2021, particular emphasis will be placed on the treatment of the Covid-19 effects, labelling and unbiased alternative performance measures. See also the guidelines from ESMA²⁰ on how items related to Covid-19 should be handled and presented using alternative performance measures.

3.2.2 Sustainability reporting

High-quality sustainability reporting is necessary to enable stakeholders to assess the impact the company has on society and the environment, and how sustainability affects the company's risk assessments and decision-making processes. The information provided by the companies should be relevant, consistent and material. There is also a need for quantitative information that is comparable and can be measured over time. Based on the results of the report 'Survey of companies' sustainability reporting' (2020), Finanstilsynet has reviewed the companies' assessments concerning so-called stranded assets. The results of this review are discussed in point 2.1.3 above. In addition, Finanstilsynet will publish a separate report on this shortly.

²⁰ ESMA 2020: [Questions and answers - ESMA Guidelines on Alternative Performance Measures \(APM\)](#)

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