



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Review of listed companies' financial reporting in 2022

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

DATE:

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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 listed, or for which admission to listing has been requested on a regulated market in the EEA, are in compliance with laws or regulations. Finanstilsynet also reviews the format of the annual financial reports and the tagging in consolidated financial statements (European Single Electronic Format). The purpose of the review is to identify significant reporting inconsistencies. Finanstilsynet also reviews the companies' audit committees.

The purpose of this report is twofold:

- Provide inform about review activities completed during the past year
- Provide information about prioritised areas in Finanstilsynet's review of annual financial reports for 2022

2 Review activities

Finanstilsynet carries out various forms of reviews of listed companies' financial reporting. An overview of review activities completed in 2022 can be found below.

2.1 Thematic reviews and survey

2.1.1 Thematic review of climate-related matters

There is strong focus on the need for good reporting of climate-related information. Reporting of climate-related information enables the company's stakeholders to understand the risks and opportunities facing the company.

Finanstilsynet has carried out a thematic review in which information on climate-related matters provided in the companies' annual financial reports, and the auditor's work related to this, were assessed. The thematic review included a selection of annual financial reports for the 2021 reporting year. Climate-related information provided both outside the annual financial statements and within the annual financial statements has been reviewed. The thematic review encompassed eleven companies and was based on the companies' publicly available annual financial reports. Some of the preliminary observations from the thematic review:

Climate-related information provided outside the annual financial statements

- Most of the companies provide information on climate risk, but the information provided is often incomplete.
- Several companies provide a comprehensive description of climate opportunities and green business in their reporting, without clearly stating that this activity constitutes a small part of the company's total operations.
- All the companies have established overall strategic climate-related targets, but most of them fail to provide clear information as to how the targets are to be reached.

Climate-related information in the annual financial statements

- Compared to previous years, a higher number of companies provide information about climate-related matters. Nevertheless, some companies with material climate exposure fail to provide information on climate-related matters in their annual financial statements.
- Several of the companies provide incomplete information about climate-related matters in their annual financial statements.
- The companies provide little information that demonstrates consistency and alignment between their annual financial statements and the information provided on climate-related matters outside the financial statements.

The work of the auditor

- In several of the audit assignments, there is no clear conclusion in the audit plan as to whether climate risk may or may not constitute a risk of significant errors.

- In several of the audit assignments, the documentation does not adequately support the conclusion that climate risk cannot lead to significant errors in the annual financial statements.
- With respect to certifications in the sustainability area, specialists are used to varying degrees as part of the audit team, and the team's expertise is rarely documented.

Finanstilsynet will publish its observations in a separate report, which may be useful for the companies and the auditors in their further efforts to ensure that future reporting on climate-related matters provides relevant, consistent, complete and material information.

2.1.2 Deficiencies in ESEF and the publication and filing of annual financial reports and audit reports

Finanstilsynet reviewed the companies' financial reporting in terms of the requirements of the European Single Electronic Format (ESEF) and the publication and filing of annual financial reports and audit reports with the Officially Appointed Mechanism (OAM).¹ The review encompassed all companies listed on a regulated market on Oslo Børs.

Finanstilsynet noted that a significant number of companies did not comply with the ESEF requirements and the requirements for publication and filing of annual financial statements for 2021.

Key observations from the review:

- The annual financial report has not been made public and filed with the OAM with tagging in accordance with ESEF.
- The annual financial report has not been made public and filed with the OAM in XHTML format in accordance with ESEF.
- The audit report has not been made public and filed with the OAM together with the annual financial report.
- The audit report does not confirm the tagging according to ESEF in the IFRS consolidated financial statements.
- The annual financial report has been made public and filed with the OAM both in XHTML format without the audit report and in PDF format with the audit report.
- The annual financial report has been made public and filed more than once and/or in different file formats with the OAM without sufficient explanation.

It must be clearly stated what constitutes the company's official audited annual financial report and which annual financial report is confirmed in the audit report. Finanstilsynet would like to point out that for companies that are required to publish their annual financial report in accordance with ESEF, it is the report in XHTML format that is reviewed by Finanstilsynet.

Based on the scope of identified issues, Finanstilsynet chose to send an identical letter to all companies listed on a regulated market on Oslo Børs. The letter summarised the observations made by Finanstilsynet during its review of selected parts of the companies' reporting

¹ Norway's Officially Appointed Mechanism (OAM) is Oslo Børs through: <https://newsweb.oslobors.no/>

obligations according to the new rules. The letter was also published on Finanstilsynet's website.²

After the identical letter was sent, Finanstilsynet has observed that a number of companies have published new versions of their annual financial report for 2021 where the deficiencies have been corrected and the requirements complied with.

2.1.3 Follow-up of information on expected credit losses

Accounting for expected credit losses in credit institutions in accordance with IFRS 9 *Financial instruments* and related disclosures in accordance with IFRS 7 *Financial instruments: Disclosures* was a prioritised area when reviewing the annual financial statements for 2021. Finanstilsynet has reviewed a number of annual financial reports for 2021 for savings banks and residential mortgage companies in order to follow up these priorities. However, the review of the companies' financial reporting was not limited to accounting matters related to IFRS 7 and IFRS 9. Some of the reviews have been finalised.³

IFRS 7 and IFRS 9 remain highly relevant for financial institutions' financial reporting for 2022, particularly in light of the prioritised area 'macroeconomic situation'⁴.

2.1.4 Review of how audit committees comply with the provisions of the Public Limited Liability Companies Act⁵

The audit committees of listed companies and other public interest entities shall help ensure a high level of quality in the companies' financial reporting.

Finanstilsynet has reviewed how a selection of audit committees comply with the provisions of the Public Limited Liability Companies Act.

The questionnaire was sent to 135 companies, of which 131 responded.

The purpose of the review was to look into

- whether the audit committees had fulfilled their duties and tasks in accordance with rules prevailing as at 31 December 2020
- how far the audit committees had come in adapting to the new rules that entered into force on 1 January 2021

The results of the review show that there are wide differences in how the audit committees have fulfilled their duties and tasks, and in how far they have come in adapting to the new rules. A number of audit committees appear to have an improvement potential when it comes to familiarising themselves with the scope of statutory duties and tasks, as well as the importance of having the right expertise and sufficient capacity. Finanstilsynet has also observed some cases where the audit committees do not comply with the rules.

² <https://www.finanstilsynet.no/en/news-archive/news/2022/identical-letter-to-all-companies-on-oslo-bors-regarding-deficiencies-in-esef-reporting/>

³ See 2.2 'Finalised reviews'

⁴ See 3 'Prioritised areas in the review of annual financial reports for 2022'

⁵ <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2022/kartlegging-av-hvordan-revisjonsutvalg-etterlever-reglene-i-allmennaksjeloven/> (in Norwegian only)

Finanstilsynet will follow up the work of the audit committees where relevant in its future supervision⁶. The results and observations in this report may be of use to the audit committees in their pursuit to comply with the rules and to compare their work with the practices of other audit committees.

2.1.5 Control of prospectuses in 2021

Finanstilsynet controls and approves EEA prospectuses concerning public offerings of transferable securities targeting the Norwegian market and the listing of transferable securities on a Norwegian regulated market.

In 2021, there was a significant increase in the number of prospectuses for initial public offerings and prospectuses containing complex financial information and pro forma financial information. There was also an increase in the number of enquiries to Finanstilsynet relating to prospectuses.

On the basis of Finanstilsynet's work and control, a report was published, discussing observations from the control of prospectuses and enquiries to Finanstilsynet relating to prospectuses.⁷

Finanstilsynet pointed out that there is a need for significant improvements in the quality of prospectuses subject to approval and other enquiries to Finanstilsynet. The financial information in prospectuses must meet relevant requirements and be thoroughly prepared in advance.

2.2 Finalised reviews

Finanstilsynet's letters to companies sent since the report published in November 2021⁸ are listed below.

Public letters on the review of financial reporting⁹:

2022	Comments
Review of financial reporting – Sparebank 1 Sørøst-Norge	The case concerned information on changes in principles relating to the company's cash and cash equivalents in the cash flow statement.
Review of financial reporting – Endúr ASA	The case concerned the classification of bond loans due to breaches of covenants. The review also included the audit committee's preparations for the Board of Directors' follow-up of the financial reporting process
Review of financial reporting – Atlantic Sapphire ASA	The case concerned deficiencies and weaknesses in disclosures on biological assets,

⁶ Review of financial reporting – Endúr ASA and Atlantic Sapphire ASA:

<https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/>
(in Norwegian only)

⁷ <https://www.finanstilsynet.no/en/news-archive/news/2022/control-of-prospectuses-in-2021/>

⁸ Review of listed companies' financial reporting 2021: <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/>
<https://www.finanstilsynet.no/en/news-archive/news/2022/control-of-prospectuses-in-2021/> (in Norwegian only)

⁹ <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/>
(in Norwegian only)

	events after the balance sheet date and certain accounting lines in the annual financial report for 2020. In addition, Finanstilsynet looked into how the company's Board of Directors had fulfilled its duties relating to the audit committee's responsibilities in connection with breaches of the provisions on financial covenants as at 30 June 2021.
Review of financial reporting – Ice Group ASA	The case concerned matters relating to information on events after the reporting period, going concern assumptions and the company's leases.
Review of financial reporting – Atlantic Sapphire ASA	The case concerned the classification of the company's loans following breaches of covenants as at 30 June 2021, failure to publish a half-yearly financial report, incomplete statements from the persons responsible at the company (statement of responsibility), and inadequate disclosures on transactions with related parties.

2021	Comments
Review of financial reporting – Havila Shipping ASA	The case concerned a number of measurement and recognition issues as well as significant deficiencies in the company's disclosures. Finanstilsynet decided to order the company to correct material errors in its write-down test for ships for 2019 and the first half of 2020. This included the length of management's forecast period/budget, scenarios and lack of internal consistency, as well as the reasonableness of the assumptions used.
Control of financial reporting – Interoil Exploration and Production ASA	The case concerned material errors and inadequate disclosures pointed out in the review of the annual financial statements for 2019 and the interim financial statements for the first half of 2020. Despite the fact that agreement had been reached with the company on these matters, Interoil did not report correct and complete adjustments and disclosures in the annual financial statements for 2020. Finanstilsynet decided to order the company to provide additional information concerning relevant adjustments and disclosures in a public notification to the stock exchange.
Review of financial reporting – Axactor SE	The case concerned a number of classification, measurement and recognition issues as well as significant deficiencies in the company's disclosures. Finanstilsynet made two decisions on corrections of material errors related to the company's subsequent measurement of expected credit losses on portfolios of purchased credit-impaired loans, including the use of scenarios and macroeconomic assumptions.

Review of financial reporting – Sparebanken Vest	The case concerned the accounting treatment of customer dividends marketed under the brand name Bulder Bank. In addition, information on accounting principles applied in connection with the sale and leaseback of the bank's head office was reviewed.
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Other letters:

2022	Comments
Decision on administrative fine – Awilco Drilling Plc	The decision concerned late publication of the annual financial report.
Decision on administrative fine – First Mover Group AS	The decision concerned late publication of the annual financial report.

Thematic reviews and survey:

2022
Control of prospectuses in 2021
Thematic review – Review of how audit committees comply with the provisions of the Public Limited Liability Companies Act

2.3 Reporting weaknesses and deficiencies

2.3.1 Content of annual and half-yearly financial reports

On 31 August 2022, Finanstilsynet published an overview of deficiencies in listed companies' annual financial statements after reviewing the annual financial reports for 2021.¹⁰ Five companies had failed to publish a statement from persons within the company who are responsible for the annual financial statements and management report (statement of responsibility). Finanstilsynet identified no instances where companies had fail to publish an audit report, a report on payments to government authorities or a statement on social responsibility in 2021 or 2020.

On 5 October 2022, Finanstilsynet published an overview of deficiencies in listed companies' half-yearly financial reports.¹¹ Nine companies had failed to publish a statement from persons who are responsible for the company's half-yearly financial statements and the half-yearly financial report (statement of responsibility).

Finanstilsynet has also sent letters to two companies whose statements are incomplete. Northern Drilling Ltd failed to clearly state the name and position of those responsible. In addition, a letter was sent to Lakers Group AB, which had not mentioned the half-yearly financial report in the statement.

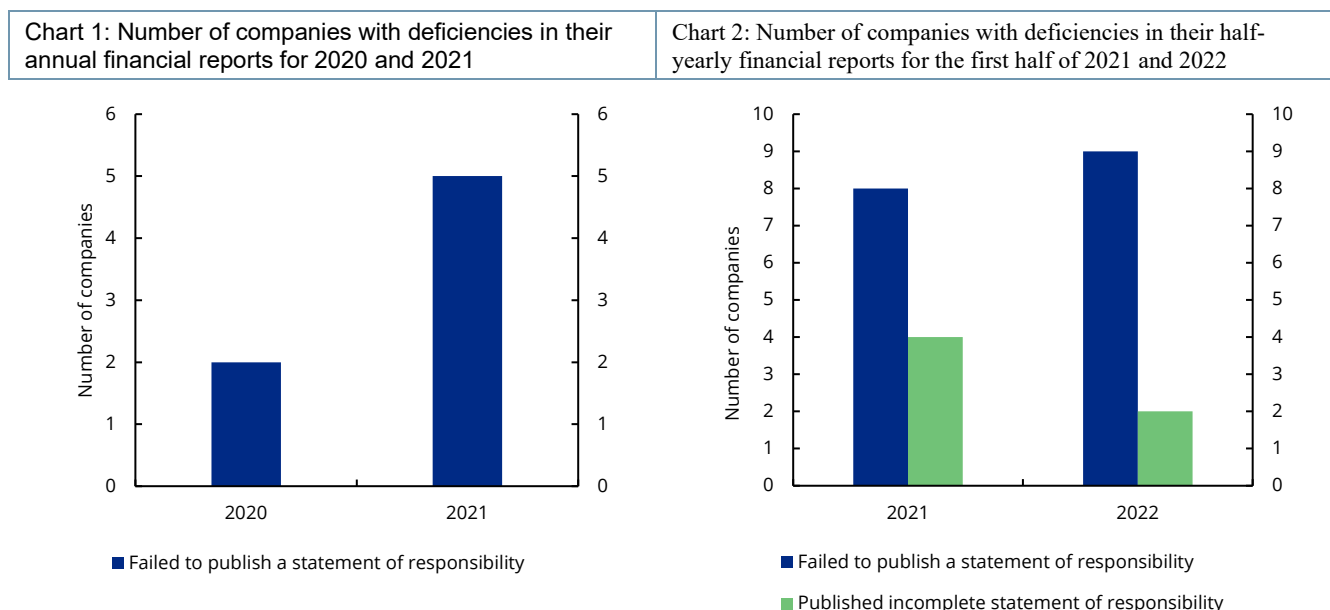
¹⁰ <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2022/arsrapportene-til-noterte-foretak-for-2021--manglende-ansvarserklaring/> (in Norwegian only)

¹¹ <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2022/halvarsrapport-for-borsnoterte-foretak-2022--manglende-ansvarserklaring-mv/> (in Norwegian only)

Companies that have failed to publish formal documents:

Annual financial report 2021	Half-yearly financial report 2022
Failure to publish a statement of responsibility:	Failure to publish a statement of responsibility:
East Renewable AB	Cloudberry Clean Energy ASA
Nova Austral S.A	Duett Software Group AS
Pelagia Holding AS	Ekornes QM Holding AS
Superoffice Group AS	Elliptic Laboratories AS
Volue ASA	Euronav Luxembourg S.A
	GC Rieber Shipping ASA
	Kongsberg Gruppen ASA
	Seapeak LLC
	Tomra Systems ASA

Finanstilsynet observes that a greater number of companies have deficiencies in their annual and half-yearly reports for 2021 and the first half of 2022 than in the preceding period. Chart 1 shows the number of companies with deficiencies in their annual financial reports for 2020 and 2021, respectively. Chart 2 shows the number of companies with weaknesses and deficiencies in their half-yearly financial reports for the first half of 2021 and 2022, respectively.



Figures as at 31 August 2022
Source: Finanstilsynet

Figures as at 5 October 2022
Source: Finanstilsynet

All of the companies have publicly disclosed the shortcomings pointed out by Finanstilsynet.

2.3.2 Failure to report modified audit reports to Finanstilsynet

According to Section 5-5 (5) of the Securities Trading Act, where the auditor finds that the financial statements should not be approved as they stand, or the auditor has made comments,

clarifications or audit reservations in the audit report, Finanstilsynet and the regulated market concerned shall be notified accordingly as soon as the audit report has been received by the issuer.

Finanstilsynet has noted that a number of companies did not comply with this requirement relating to their annual financial reports for 2021.

Finanstilsynet expects the companies to comply with the requirement, and expects those that have failed to do so for the annual financial report 2021, to notify Finanstilsynet as soon as possible.

2.3.3 Weaknesses in companies' reporting to Finanstilsynet

Finanstilsynet regularly uncovers errors in the companies' reporting to Finanstilsynet. This applies to the companies' reporting via Altinn (form KRT-1003). Finanstilsynet has also identified weaknesses and errors in other reporting, including in Questback forms for audit committees and stranded assets. This may be due to the fact that persons without the right expertise 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}

In the course of 2022, Finanstilsynet has initiated financial reporting supervision of companies that, after reminders, had not completed form KRT-1003 for 2021.

2.3.4 Public disclosure of additional information

Pursuant to Section 17-8 (c) of the Securities Trading Regulations, Finanstilsynet may, if the financial reporting in documents is not in accordance with the law or regulations, order the company to publicly disclose additional information ('corrective note') by notification to the stock exchange or by other means.

The disclosure of such additional information was required once during 2022.¹⁶

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

¹³ Norlandia Health & Care Group AS: <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/> (in Norwegian only)

¹⁴ Polaris Media ASA: <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/> (in Norwegian only)

¹⁵ Electromagnetic Geoservices ASA: <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/> (in Norwegian only)

¹⁶ Interoil Exploration and Production ASA: <https://www.finanstilsynet.no/tilsyn/finansiell-rapportering/tilsynsrapporter-finansiell-rapportering/> (in Norwegian only)

2.3.5 Information to Finanstilsynet in cases where companies are required to provide information or make improvements to future financial reporting

In its final letters, Finanstilsynet normally asks the companies to inform Finanstilsynet in writing of where and how identified deficiencies and weaknesses have been rectified in the company's next interim reporting or annual financial statements. A two-week deadline is normally set for informing Finanstilsynet after the financial statements have been made public. The information must be specific and show how the relevant issue has been rectified and in which notes supplementary information has been provided.

2.3.6 Review of interim reporting and other financial information

Finanstilsynet reviews interim reports. According to Prop. 66 LS (2020–2021) section 2.4 *Rules on periodic disclosure requirement and certain other matters*, both interim financial reports pursuant to IAS 34 and alternative reports (called combined reports in the proposition) that are not in accordance with IAS 34 will normally be regarded as 'other financial reporting' subject to supervision by Finanstilsynet.

Finanstilsynet has reviewed a number of interim financial reports in 2022. The interim financial reporting in accordance with *IAS 34 Interim financial reporting* is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, new events and new circumstances and does not duplicate information previously reported.

Finanstilsynet has observed weaknesses in the interim reporting of a number of companies, and several of the finalised reviews in section 2.2 concern matters relating to published interim financial statements, including the accounting treatment of breaches of covenants, information on events after the end of the interim period and going concern information. Other observations include interim financial statements that do not meet the minimum requirements for components of interim financial reports, and inadequate information on selected accounting principles for new material transactions during the interim period.

3 Prioritised areas in the review of annual financial reports for 2022

The choice of prioritised areas is influenced by climate-related matters, Russia's invasion of Ukraine and the macroeconomic environment, including high inflation and rising interest rates in 2022. Finanstilsynet expects companies to provide entity-specific information about the effects of these factors where relevant, including specific and concrete information about key judgments and the use of assumptions. 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 in line with the prioritised areas of the European Securities and Markets Authority (ESMA).¹⁷

In the course of 2022, Finanstilsynet has published two reports^{18 19} 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' 2022 annual financial reports. Finanstilsynet's review of the ESEF requirements will also be undertaken for the 2022 annual financial reports. Finanstilsynet would like to remind the companies that, with effect from the 2022 financial year, disclosures included in IFRS consolidated financial statements must, as a minimum, be marked up with the elements in table 2 of Annex II of RTS on ESEF.²⁰ Finanstilsynet encourages the companies to consult the updated version of ESMA's 'ESEF Reporting Manual'²¹, where a new section in particular, 1.9 'Block Tagging', provides further guidance on ESMA's expectations regarding how block tagging should be carried out.

3.1 Review of annual financial statements

Prioritised areas in Finanstilsynet's review of companies' annual financial statements for 2022:

Climate-related matters

- Consistency between the annual financial statements and other non-financial information, including management's judgments and estimates and information about climate-related risks and uncertainties.
- Impairment of non-financial assets. This may include indicators, the use of assumptions about climate-related issues and sensitivity analyses that relate to climate-related risks.

¹⁷ Public Statement on the European Common Enforcement Priorities 2022:

<https://www.esma.europa.eu/press-news/esma-news/european-enforcers-focus-russia%E2%80%99s-invasion-ukraine-economic-outlook-and-climate>

¹⁸ <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2022/kartlegging-av-hvordan-revisjonsutvalg-etterlever-reglene-i-allmennaksjeloven/> (in Norwegian only)

¹⁹ <https://www.finanstilsynet.no/en/news-archive/news/2022/control-of-prospectuses-in-2021/>

²⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0815&from=EN>

²¹ ESEF Reporting Manual:

<https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format>

- Provisions, contingent liabilities and contingent assets, such as constructive or legal obligations to reduce carbon emissions.
- Agreements on the purchase of (green) power, especially transparency on financial impact and applied accounting principles.

Direct consequences of Russia's invasion of Ukraine

- Presentation of the invasion's impact on the financial statements. Sufficient disclosures should be provided on material effects, management's exercise of judgment and the use of assumptions.
- Loss of control, joint control or significant influence that may require an assessment of all facts and circumstances and possible exercise of judgment.
- Non-current assets held for sale and discontinued operations. Sufficient information should be provided about any significant judgment applied by management when assessing whether the requirements of IFRS 5 apply.
- Impairment of non-financial assets, including the use of assumptions and scenarios in industries affected by gas and energy supply restrictions.

Macroeconomic environment

- Impairment of non-financial assets, including increased uncertainty and rising interest rates that may affect discount rates and the key assumptions used in the impairment model.
- Employee benefits, including actuarial assumptions and disclosures.
- Revenue from contracts with customers. Caution is required when recognising an asset from the costs to fulfil a contract, as these costs need to be recovered.
- Financial instruments, including disclosures on exposure and sensitivities to, among others, interest rate risk, commodity prices and liquidity risk.

The listing of examples under each heading is not exhaustive. For a more complete description of the various items, reference is made to ESMA.²²

3.2 Review of non-financial information

Section 3-3c of the Accounting Act was amended with effect from 1 July 2021 and is now in compliance with the EU Accounting Directive. For companies using the calendar year as their financial year, the amended section 3-3c applies initially to the annual report for 2022. Prioritised areas in Finanstilsynet's review of non-financial information in the companies' annual financial reports for 2022:

Climate-related matters

Increased transparency in reporting climate-related matters concerning

- strategy, including transition plans that describe whether/how the company will shift its business model, operations and asset base to help achieve the climate goals
- metrics and targets related to GHG emissions
- material impact, risks and opportunities, and their connectivity to financial reporting

²² ESEF: <https://www.esma.europa.eu/policy-activities/corporate-disclosure/european-single-electronic-format>

Reporting according to Article 8 of the Taxonomy

The Act relating to the publication of sustainability information in the financial sector and a framework to facilitate sustainable investments²³, which implements the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation in Norwegian law, were adopted by the Storting (Norwegian parliament) in December 2021. The Ministry of Finance now expects that Act to enter into force no sooner than in 2023. This means that reporting in accordance with Article 8 of the Taxonomy Regulation will not apply to annual financial reports for 2022. Norwegian companies may nevertheless choose to comply with the new disclosure and reporting obligations on a voluntary basis before the Act enters into force.

Reporting scope and data quality

- Value chain reporting at least of the same scope as the company's financial reporting.
- The robustness of the data used for the non-financial reporting

The listing of examples under each heading is not exhaustive. For a more complete description of the various items, reference is made to ESMA.²⁴

²³ <https://lovdata.no/lov/2021-12-22-161> (available in Norwegian only)

²⁴ Public Statement on the European Common Enforcement Priorities 2022: <https://www.esma.europa.eu/press-news/esma-news/european-enforcers-focus-russia%E2%80%99s-invasion-ukraine-economic-outlook-and-climate>

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