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VALUE AND RISK REPORTING PRACTICES AMONG LISTED COMPANIES IN BELGIUM

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Value and Risk Reporting Practices among Listed Companies in Belgium#

by

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ABSTRACT

In this report we describe the general practices, among Belgian public firms, *re* voluntary disclosure. We provide an overall score, a subtotal for each of ten information categories, and individual scores. We find that only two subtotals, Management & Performance and Organization & Strategy, fare rather well almost across the board. The value drivers, in contrast, tend to come in among the lowest-ranked items, as does Risk Management. For two value drivers, Brands and Customers, around half of the companies even remain utterly silent. Across firms, there often is a pronounced right-skewness among the rankings for one subcategory. On more than half the items that could logically help determine value, more than half of the firms provide no information whatsoever.

The top-performing companies are doing spectacularly better on Risk Management, and (relatively) worse on macro information. Manufacturing firms do best, both in terms of total rating as well as on most subcategories, followed by retail/distribution/media (RDM) and then Technology

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Value and Risk Reporting Practices among Belgian listed companies

Introduction

This paper describes the voluntary-disclosure practices among Belgium's listed companies from the manufacturing, media/distribution/retail and technology sectors. From an economic perspective, voluntary disclosure can be motivated by the rising doubts and disputes about the adequacy of the current (financial) corporate-reporting model. There is an abundant literature in this field. For instance, the 1994 Jenkins report finds the standard model to be wanting and proposes an own model based on users' needs. In the same year, AICPA's Special Committee on Financial Performance likewise stressed the need for more forward-looking disclosures, and the same theme forcefully comes back in FASB's "Business reporting project", started in 1999 and finalized in 2001. The report on voluntary disclosure as formulated by the AICPA recommends improved business reporting and proposes meaningful changes to the financial reporting system (AICPA, March 2002). The SEC likewise considers imposing changes in corporate disclosure rules in a series of steps to improve the financial reporting and disclosure system. (SEC, February 2002). Next to the issue of insufficient information, also the problem of misleading information has gained attention. The more recent scandals have, of course, brought doubts about the adequacy of the current financial reporting model very much to the fore, but also the issue of earnings management is much older, as shown for instance in Sir Arthur Levitt's 1998 report.

The issue is not just a conceptual or academic one. Doubts about the adequacy and reliability of information arguably lead to lower stock-market values. Many firms surely feel that their shares are undervalued, and see more extensive disclosure on non-financial performance measures as a way to help increase the usefulness and value of corporate reporting for investors, thus decreasing information asymmetry and reducing the undervaluation of stock.

1. Introducing our sample: Belgian listed non-financials

The population we start from consists of all companies that meet both of the following criteria: being listed on the Brussels Stock exchange in the year 2000, and belonging to one of the following industries: manufacturing, technology, retail, distribution and media. Thus, we deliberately exclude companies from the financial industry, as well as energy and holding companies, even though this

restriction seriously reduces our population. Companies in these omitted sectors have very different businesses and balance sheets, and are often much more regulated; so they are likely to behave uninformatively different from industrials and non-financial service companies.

From this population we pick a sample of 48 companies. Table 1 lists them, classified into our three industry groupings — manufacturing, technology and, lastly, retail, distribution & media — along with their NACE-BEL industry codes and year-end market capitalizations.

Our main objective is to come up with a quantitative measure of how complete the information is that is voluntarily provided by these companies on matters relevant for valuation and risk assessment. The structure and implementation of our reporting index is described in the next section.

2. Our Value and Risk reporting Index

Our survey ignores mandatory disclosures — mainly the familiar financial items — and focuses instead on voluntary divulgence. To assess the level of voluntary disclosure of various non-financial and financial information items by our companies, we construct a "Value and Risk reporting Index" bearing on publication year 2001, as well as a variety of sub-indices.

2.1. Structure of the index

The indices are based the PricewaterhouseCoopers' ValueReporting™ framework and the ValueReporter™ diagnostic tool used to evaluate a company's current level of reporting to the capital markets. ValueReporter™ provides an assessment of a company's external communications—including not just the annual and quarterly reports but also its web site, briefings, press releases and environmental and social impact reports—against the ValueReporting™ Framework, which has been developed on the basis of capital market research over the past 5 years. External communications are analyzed by identifying the presence or absence of qualitative and quantitative references to the specific information included in the ValueReporting™ Framework. Thus, ValueReporter™ follows the outline of the industry-specific ValueReporting™ Framework, but it drills down to the more detailed performance measures associated with each category and element of the framework. The elements of the ValueReporting™ Framework can be summarized as follows:

- market overview (competitive, regulatory and macro-economic environment),
- strategy (goals, objectives and governance),
- value creating activities (customers, people, innovation, brands, supply chain, environmental, social and ethical) and
- financial performance (financial position, risk profile, economic performance and segmental analysis).

Table 1 The sample: industry, market cap, and Nace-bel code

SECTOR	COMPANY	MARKET CAP	NACE-BEL
Manufacturing	Ter Beke	13.88	1513
	Lotus Bakeries	42.06	1582
	Neuhaus	31.15	1583
	Duvel	126.86	1596
	Interbrew	15 865.23	1596
	Sioen	447.07	1754
	Vandevelde	248.27	1823
	VPK	194.98	2112
	Koramic	398.50	
	Associated Weavers	20.16	
	Ontex	454.75	2122
	Solvay	5 008.25	2413
	Tessenderlo	925.22	2413
	Recticel	253.03	2416
	Resilux	125.42	2522
	Deceuninck	350.19	2523
	Glaverbel	565.11	2611
	Bekaert	942.66	2734
	Remi Claeys	84.07	2740
	Umicore	1 024.72	2743
	Picanol	58.46	2954
Technology	IBA	25.1	3162
	Barco	991.56	3230
	Agfa Gevaert	3554.6	5155
	Econocom	108.22	5164
	Telindus	717.76	5164
	Mobistar	1 995.17	6420
	IRIS	47.94	6523
	Sait-Stento	78.35	6523
	Ubizen	329.68	7210
	Arinso International	151.48	7210
	Dolmen	129.30	7220
	Real Software	150.96	7220
	Systemat	98.04	7260
Retail, Distribution & Media	Concentra	71.72	2221
	Roularta	75.55	2213
	D'leteren	1 296.23	5010
	Omega Pharma	1 046.68	5146
	Colruyt	1 844.42	5211
	Delhaize	2 635.07	5211
	Brantano	180.50	5243
	Carestel	101.40	5530
	Quick	74.01	5530
	Photo Hall	47.06	6713
	Spadel	130.00	7414
	Solvus	550.92	7415
	Spector	67.17	7481
	Kinepolis	148.94	9213

Key to Table 1. For all companies, "market cap" shows the market value of the main Belgian-traded share (strips not included in market value), on December 29, 2000, in millions of Euros. For IBA we use the market value of the Australian-traded share (the Belgian-traded strip has market value of 0.1).

Table 2: Value and Risk Reporting Index: assessment sheet

Measures	Quali-tative	Quantitative				
		Current Period	Prior Period	Bench-mark	Current Target	Future Target
1. Macro-economic environment						
1.1 Level of Competition						
2. Strategy & Organization						
2.1 Statement of LT goals						
3. Management & Performance						
3.1 Internal shareholder Value metric						
4. Risk Management						
4.1 Risk models and frequency of reporting						
5. Innovation						
5.1 R&D expenditure						
6. Brands						
6.1 Brand awareness						
7. Reputation						
7.1 Product stewardship						
8. People						
8.1 Employee satisfaction						
9. Supply Chain						
9.1 Product quality						
10. Customers						
10.1 Customer retention						

Key to Table 1. The table shows the basic layout of the assessment sheet. The complete list of items is shown in Tables 3 or 8

Together they should provide a coherent and complete picture of the likely future of a business, against which historical financial information can be explained. It assumes that shareholder interests are primary, but recognizes that long-term sustainable value is realized only if the interests of all the stakeholders are understood and addressed.

Table 2 provides a summary description of our Value and Risk Reporting Index. The complete list of questions is not included in Table 2 as it shows up again in Tables 3 and 8. The index summarizes ten categories of information items about which companies are free to disclose or not. These categories are macro-economic environment, strategy & organization, management & performance, risk management, innovation, brands, reputation, people, supply chain and, finally, customers. Note that the last six categories — innovation *sqq* — relate to the value drivers proposed in PwC's ValueReporting™.

Each of these ten categories, in turn, contains a number of specific information items. For example, specific items within the category Strategy & Organization include a statement of qualitative long-term goals, of short- and medium-term goals, and of the corporate-governance structure. Examples of specific information items within the category Risk Management include the presence of risk models, information on financial risks, and an assessment of

environmental risks. Each individual information item in the index has its explicit definition, which is available on request.

2.2. Implementation of the assessment

The Value and Risk Reporting Index number as produced for our companies is based on the assessment sheet partly shown in Table 2. This sheet is completed as follows. For each individual company two sources are thoroughly inspected: the annual report on the year 2000 and the company's website in December 2001. On the basis of these sources we rate the degree of disclosure on each specific information item by answering, by yes or no, the following questions:

does the company provide

1. qualitative information?
2. quantitative information about the current period?
3. quantitative information about the prior period?
4. a quantitative benchmark?
5. a current quantitative target?
6. a future quantitative target?

Qualitative information is defined as information in narrative form, whereas quantitative information uses numbers, statistics, percentages, graphs and the like. Obviously not all questions are applicable to all information items. For example, a quantitative target for the statement of long term goals is not possible, as this item was defined to be qualitative, thus requiring exclusively narrative information.

From the completed worksheet we then derive a Value and Risk reporting score for all companies by allocating one point per positive answer, that is, whenever the company did provide information of that type in the annual report or in the website. We then compute, for each company, percentage scores at three levels: first per information item within each of the ten information categories, then aggregated for each of these categories, and, lastly, an overall disclosure score.

Tautologically, 100% is the maximum feasible score, but any other number should be read in an ordinal and descriptive way rather than cardinal and normative. For example, a company that scores positively on four entries rather than two will double its score, but does not necessarily become twice as "good". Nor can one say that a company with an overall rating below 50% "fails" the examination in any meaningful way. However, we do provide best-practice figures in Section 3.4 below, which helps in calibrating the scales.

Table 3: Value&Risk Reporting Scores, in percent

	Measures	Manu-facturing	Techno-logy	RDM	Global average
	Macro-economic environment				
1	Level of competition	25,71	14,62	13,57	**17,97**
2	Market growth (by segment & geography)	46,19	27,69	30,00	**34,63**
3	Market share (by segment & geography)	25,00	26,92	26,19	**26,04**
4	Economic	33,33	11,54	26,43	**23,77**
5	Political	21,43	0,00	21,43	**14,29**
6	Environmental	16,67	1,54	7,14	**8,45**
7	Social	10,48	0,00	1,43	**3,97**
8	Technological	14,29	5,38	12,86	**10,84**
9	Legal	42,86	26,92	35,71	**35,16**
	TOTAL	**24,94**	**12,96**	**17,67**	**18,52**
	Strategy & Organization				
10	Statement of LT goals ('Mission Statement')	100,00	80,77	78,57	**86,45**
11	Statement of ST/MT objectives (by segment)	88,10	69,23	78,57	**78,63**
12	Have targets been set for the ST/MT objectives? (by segment)	21,43	24,62	25,71	**23,92**
13	Business segmentation + changes	38,10	30,77	37,14	**35,34**
14	Corporate governance model	95,24	76,92	96,43	**89,53**
15	Detailed corporate governance information	92,86	76,92	89,29	**86,36**
16	Risk Management Policy	28,57	11,54	28,57	**22,89**
17	Communication and Disclosure Policies	52,38	19,23	25,00	**32,20**
18	Stakeholder Engagement	73,81	19,23	42,86	**45,30**
19	Environmental Performance	20,24	5,77	12,50	**12,84**
20	Social Performance	80,95	7,69	28,57	**39,07**
	TOTAL	**42,96**	**28,04**	**35,71**	**35,57**
	Management & Performance				
21	Internal Shareholder Value Metrics (EVA ...)	5,56	0,00	0,60	**2,05**
22	Return on Equity	28,17	13,46	13,10	**18,24**
23	Total Shareholder return	24,60	19,23	17,26	**20,37**
24	Earnings per share	32,54	28,21	24,40	**28,38**
25	Segmental financial indicators	48,10	43,85	43,57	**45,17**
26	Working Capital	24,21	23,08	10,12	**19,13**
27	Capital Expenditure	47,22	37,82	37,50	**40,85**
	TOTAL	**29,62**	**23,17**	**20,38**	**24,39**
	Risk management				
28	Risk models & frequency of reporting	5,16	0,64	2,38	**2,73**
29	Risk responsibility	4,76	0,00	2,38	**2,38**
30	Financial risks	13,49	4,49	4,76	**7,58**
31	Compliance risks	6,35	1,28	7,14	**4,92**
32	Environmental risks	24,36	2,08	9,72	**12,05**
33	Health and Safety risks	18,25	2,56	2,38	**7,73**
34	Technology risks	4,37	1,28	2,38	**2,68**
35	Process risks	3,57	2,56	4,76	**3,63**
36	Change management	5,16	0,00	2,38	**2,51**
	TOTAL	**8,47**	**1,57**	**4,10**	**4,71**

	Measures	Manu-facturing	Techno-logy	RDM	Global average
	Value drivers - innovation				
37	R&D Expenditure	23,81	23,08	8,33	**18,41**
38	Contribution from new products	10,32	0,00	6,55	**5,62**
39	Expected contribution from products in development	5,16	1,92	2,38	**3,15**
	TOTAL	**13,10**	**8,33**	**5,75**	**9,06**
	Value drivers - brands				
40	Brand/Corporate Name Awareness	9,92	1,28	10,71	**7,31**
41	Brand Profitability and/or Equity	1,98	0,00	0,60	**0,86**
42	Revenue protected by patent(s)	7,54	1,92	0,00	**3,15**
	TOTAL	**6,48**	**1,07**	**3,77**	**3,77**
	Value drivers - reputation				
43	Product Stewardship	11,90	2,56	5,36	**6,61**
44	Health and safety performance	20,24	5,77	1,19	**9,07**
45	Third Party ratings and awards	64,29	65,38	39,29	**56,32**
	TOTAL	**19,78**	**8,88**	**6,04**	**11,57**
	Value drivers - people				
46	Employee satisfaction	9,13	8,97	1,79	**6,63**
47	Investment in training	14,29	12,82	15,48	**14,19**
48	Employee profiles	22,22	20,51	19,05	**20,59**
	TOTAL	**15,21**	**14,10**	**12,10**	**13,81**
	Value driver - supply chain				
49	Product quality	11,90	7,69	7,74	**9,11**
50	Process quality	9,13	3,21	5,95	**6,09**
51	Supplier dependence	5,16	0,64	3,57	**3,12**
	TOTAL	**8,73**	**3,85**	**5,75**	**6,11**
	Value drivers - customer				
52	Customer loyalty / retention	0,00	1,28	2,98	**1,42**
53	Customer satisfaction	5,95	8,97	4,76	**6,56**
54	of New customers vs. repeat sales	0,00	1,92	0,00	**0,64**
	TOTAL	1,98	4,06	2,58	**2,87**
	TOTAL VALUE DRIVERS	11,58	6,61	6,00	**8,06**
	GRAND TOTAL	**18,63**	**11,35**	**12,32**	**14,10**

3. Results

Here's a list of questions we want to discuss in this section: what categories of information do generally receive a lot of attention, how much heterogeneity is there across firms, how do the best-performing firms fare, is there any noticeableindustry effect, and what individual items seem to be perceived as quite hot or ice cold. Detailed results are provided in the Table 3. To facilitate interpretation we have condensed some key results into Tables 4, 5 and 6. We

start with a discussion of the central values, *viz.* the mean and median scores as set out in Table 4.

3.1. Which items get most attention, which least?

The row labeled "average", in Table 4, provides the average percentage scores per category of information item for all companies in the sample. The average company in the sample obtains a grand average overall score of 14,10%. Thus, the average Belgian listed companies voluntary provides information on only fourteen percent of the full potential of value-relevant items listed in the assessment sheet.

There is a wide variability across the ten categories, though. The average degree of voluntary disclosure on each of the information items is shown in Table 5 (in decreasing order of magnitude of the mean score). The clear lead performers are Strategy & Organization, and Management & Performance. Macro information and its implications for the company come in as a good third. We note that the categories where the average Belgian listed company obtains scores below 10 percent include four of the six value drivers (notably customers, brands, supply chain, innovation), as well as risk-management practices and initiatives.

Table 4: Descriptive statistics for all-firm average scores per information category

					value drivers					
	Macro environment	Strategy and organization	Management and performance	risk management	innovation	brand	reputation	people	Supply chain	Customer base
avg	18.52	35.57	24.39	4.71	9.06	3.77	11.57	13.81	6.11	2.87
median	14.32	32.52	24.22	1.64	5.21	2.48	6.94	10.96	5.19	2.93
stdev	13.42	17.25	9.86	6.61	11.67	5.29	12.30	8.79	5.75	3.85
coef var	0.72	0.48	0.40	1.40	1.29	1.40	1.06	0.64	0.94	1.34
min	3.74	10.16	7.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Q1	9.96	24.39	16.54	0.00	2.60	0.00	3.47	8.22	2.60	0.00
Q2	14.32	32.52	24.22	1.64	5.21	2.48	6.94	10.96	5.19	2.93
Q3	23.66	38.62	30.72	7.37	10.42	4.96	17.36	19.17	7.79	5.86
max	82.17	93.50	53.16	30.31	67.71	24.79	55.54	43.83	28.55	17.59
# zeroes	0	0	0	15	8	20	10	3	8	23
top 10	**25.21**	**40.13**	**64.38**	**39.02**	**17.04**	**27.50**	**27.50**	**33.08**	**26.94**	**15.56**

Key to Table 4. "avg" refers to average, stdev to standard deviation, coef var to coefficient of variation, that is, standard deviation divided by average. Min and max refers to the lowest and highest observations, and Q1-3 to the first, second, and third quartiles, that is, the scores that separate the bottom-ranked quarter of firms from the second group, the second from the third, and the third group from the top quarter, respectively. # zeroes lists the number of zero observations. Top10 shows the average score across the ten best performances for that category.

Table 5: mean- and median-ranked scores, all companies, for the information categories

	mean		median	
	score	rank	score	rank
Strategy & Organization	35,57%	1	32.52%	1
Management & Performance	24,39%	2	24.22%	2
Macro-economic environment	18,52%	3	14.32%	3
People	13,81%	4	10.96%	4
Reputation	11,57%	5	6.94%	5
Innovation	9,06%	6	5.21%	6
Supply chain	6,11%	7	5.19%	7
Risk Management	4,71%	8	1.64%	10
Brands	3,77%	9	2.48%	9
Customers	2,87%	10	2.93%	8

There is a wide variability across the ten categories, though. The average degree of voluntary disclosure on each of the information items is shown in Table 5 (in decreasing order of magnitude of the mean score). The clear lead performers are Strategy & Organization, and Management & Performance. Macro information and its implications for the company come in as a good third. We note that the categories where the average Belgian listed company obtains scores below 10 percent include four of the six value drivers (notably customers, brands, supply chain, innovation), as well as risk-management practices and initiatives.

A ranking on the basis of the medians produces virtually the same results (see again Table 5). The main exception is Risk Management, which gets demoted even further, from the eighth spot to last. Invariably, the mean is above the median, and usually substantially so, indicating that the most extreme outliers tend to be at the upside rather than the downside.

3.2. Plenty of variability across firms

Central numbers, like averages and medians, are not everything; there is, of course, a considerable amount of across-firm heterogeneity within each category. Table 4 contains some intuitive measures of variability, like the highest and lowest individual scores, and the first and third quartile—that is, the scores that separate the bottom-ranked quarter of firms from the middle group, and the middle group from the top quarter, respectively. Also the standard deviation is provided, the statistician's workhorse measure of variability.

Typically, standard deviations are quite large relative to the mean; that is, the coefficient of variation exceeds unity. This is relatively less the case for categories where the average performance is better. In other words, for items where the typical firm does well, the *percentage* heterogeneity across firms is

lower. Note also how the larger coefficients of variation tend to go hand in hand with frequent zero entries. In two categories, notably customer relations and brand strength, almost half of the companies do not even provide any information at all, and also for risk management absolute silence reigns among more than one quarter of the companies. Recall that these are aggregate numbers for the entire category of risk-management items, not scores on individual items within the category.

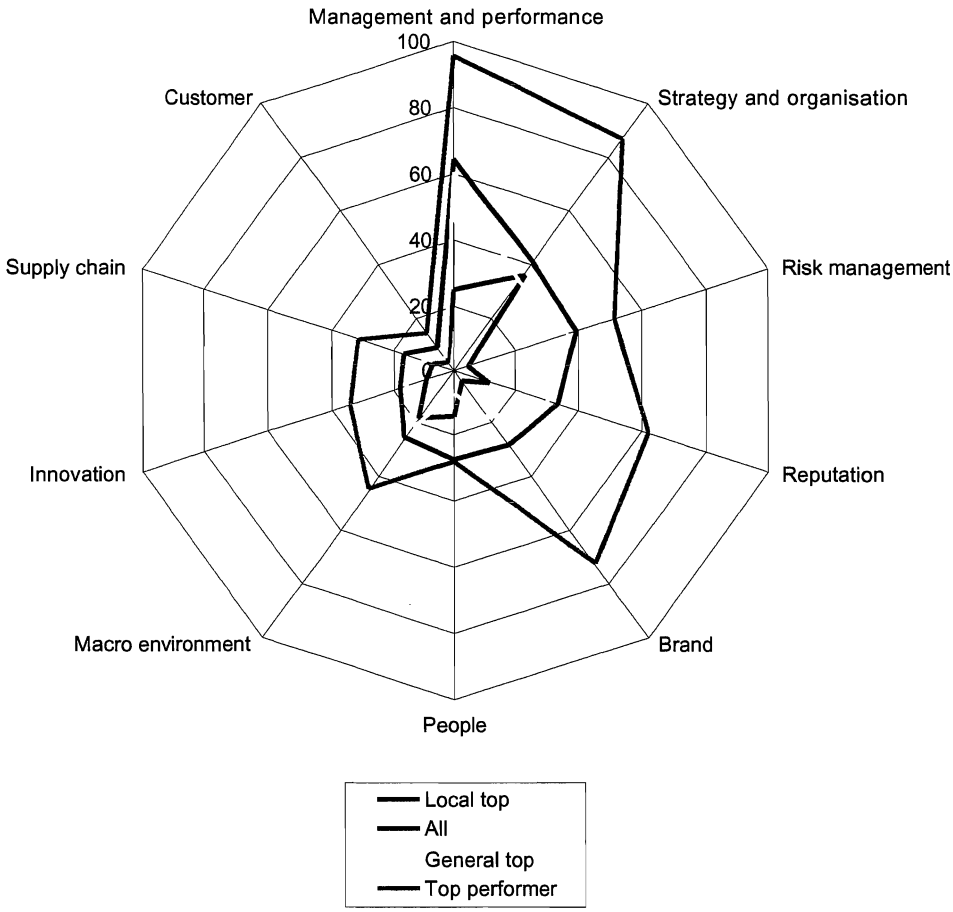
3.3. Good Practice and Best Practice

We have already stressed that our scores are to be read as ordinal and descriptive rather than cardinal and normative. That is, we do not mean to signal that a below-50 rating is a failure and that a 30-rated company is twice as good in producing information as a 15-rated one. To obtain at least some feeling for what is surely a good rate, in the sense of the type of score obtained by top performers, we now look at the mean assessment of the best ten companies for each item, and then judge the average firm using that standard. Table 6 contains the results for the top-10 performers under the label "local top-10". (We justify the label "local" below.) The spider diagrams in Figure 1 provide the same information graphically.

We notice some broad similarities between average and best-practice performance, but also some marked reversals. The six value drivers remain clear laggards, and the two top runners are still Management & Performance and Strategy & Organization, just like in the general-average-based ranking. The reversals are more interesting, though.

A striking climber is Risk Management, followed — at a distance — by Brands. There could be a two-way causality behind the relative rise of Risk Management as a reporting item. Since risk is a comparative newcomer, at least as a reporting item, companies that have opted for complete disclosure would easily do quite well relative to other companies for this otherwise neglected area. On the other hand, companies that are subject to more risks than the average firm may feel the need to generally communicate better. In the absence of any objective and comprehensive measure of risk, we cannot disentangle the two possible effects.

A marked loser, when we compare best-practice rank to average rank, is macro information. Macro information is, of course, an item where many companies can score quite easily. Indeed, this type of information or comment is by definition neither sensitive nor proprietary; there is no problem in obtaining descriptive information in both qualitative and quantitative form; and also forecasts can simply be plucked from the web. So while, tautologically, the top ten performers in this field still do better than the average company, the improvement relative to the huddled masses is less marked for this information category.



Key to Figure 1. The spider diagram displays the scores of three groups of firms and one individual company. The scores labeled "local top", refer to the mean score for the ten companies that did best in that specific category. Categories are ranked on the basis of that number, so that the curve for this set tautologically spirals inward when we move clockwise through the criteria. The group "all firms" contains, for each axis, the mean score obtained by all firms. Under "general top", short for general top-10, we show the mean scores for the (constant) group of ten companies that did best in terms of *overall* score rather than the best 10 per separate category. Lastly, we show the individual scores and ranks obtained by the top performing individual company.

Table 6: mean score for the information categories: all companies versus top performers

	local top-10		all firms		gen Top-10		Top scorer	
	mean	rank	mean	rank	mean	rank	mean	rank
Management and performance	64.38	1	24,39	2	60.69	1	95.83	1
Strategy and organization	40.13	2	35,57	1	33.03	3	86.84	2
risk management	39.01	3	4,71	8	36.71	2	51.22	5
Reputation	33.08	4	11,57	5	29.62	4	61.54	4
Brand	27.50	5	3,77	9	17.78	6	72.22	3
People	26.94	6	13,81	4	6.95	9	27.78	9
macro environment	25.12	7	18,52	3	20.55	5	44.44	6
Innovation	17.04	8	9,06	6	15.09	7	34.26	7
supply chain	15.56	9	6,11	7	9.72	8	30.56	8
Customer	8.06	10	2,87	10	4.17	10	13.89	10

Key to Table 6. In the column "local top 10", we report the mean score for the ten companies that did best in that specific category. Categories are ranked on the basis of that number, so that the rank in the second column of figures tautologically rises from 1 to 10. Under "all firms" we show, for each category, the mean score obtained by all firms; the corresponding ranks are those obtained if these all-firm mean scores would be arrayed from large to small. Under "gen. top-10", short for general top-10, we show the mean scores for the (constant) group of ten companies that did best in terms of *overall* score rather than the best 10 per separate category; next to them again their internal ranking. Lastly, we show the individual scores and ranks obtained by the top performing individual company.

It could be argued that our top-10 criterion may still set the standard unattainably high, in the sense that for each of the ten categories we have hand-picked the ten companies that do best in that very category—hence our label, the "local" top 10. In that light, it would be interesting to know how well the "general" top-10 is faring, that is, the top group selected once and for all on the basis of the overall score instead of being lined up for each category separately. The results for the general top-10 are also shown in Table 6.

We see that the importance of Risk Management among the local top 10, noted before, is not the freak result of a small set of firms specializing in that item. Instead, among the general top 10 the item Risk Management now even climbs to second place (from third for the local top-10). The main outlier, among the general top 10, is the People item. It ranks ninth, and its mean score is the only one that is below even the all-firm average. We see no obvious explanation for this anomaly. Apart from this dip, however, the mean scores for the general top-10 are not drastically below those for the local top-10. That is, it is possible to do quite respectably, by local top-10 standards, in a consistent way.

To further illustrate this last point we add, in the rightmost part of Table 6, the scores for the top-performing individual company. In relative terms, the company gives somewhat less attention to Risk Management and especially People than do its lesser fellow firms. In absolute terms, however, the winner easily and consistently outscores the local top 10—even for the People

item—and it usually does so by a very wide margin. Despite the odd bald patch among the value drivers, this company seems to be exceptionally and laudably systematic in its communication policies.

Let us return to the initial question as to how the average firm fares relative to a feasible best-practice benchmark. The inevitable conclusion seems to be that the typical firm stays far beyond the level of information that can be achieved with a little effort. This, of course, raises a new issue: if companies would mend their ways and increase the scope of communication, in what areas is there most to be done? In the next section we report on popular and unpopular individual information items, that is, the types of information within categories.

3.4 Disclosure rates on individual items

Also as to the individual information items we note a great deal of heterogeneity and right-skewness (a predominance of upward outliers rather than downward ones) across items, with very complete divulgence for a few items and very poor disclosure for rather more of them.

Table 7: Most and least often discussed individual information items

Most often discussed		*Least often discussed*	
3	Corporate governance model	25	Brand/Corporate Name Awareness
	Detailed corporate governance information		Customer satisfaction
	Capital Expenditure	26	Employee satisfaction
4	Market share (by segment & geography)		Process quality
	Statement of LT goals	27	Technological
	Statement of ST/MT objectives (by segment)		Social Performance
	Business segmentation + changes	28	Legal issues
5	Market growth (by segment & geography)		Communication and Disclosure Policies
6	Segmental financial indicators		Health and safety performance
7	Earnings per share	29	Financial risks
8	Level of competition		Health and Safety risks
9	Economic issues	30	Product Stewardship
10	R&D Expenditure	32	Environmental issues
11	Employee profiles	33	Risk Management Policy
14	Total Shareholder return	34	Compliance risks
15	Return on Equity	35	Process risks
16	Investment in training		Supplier dependence
17	Product quality	36	Contribution from new products
19	Environmental Performance	39	Political issues
	Working Capital		Revenue protected by patent(s)
	Environmental risks	40	Risk responsibility
	Third Party ratings and awards		Change management
20	Set segments' targets for ST/MT objectives?		Expected contribution from products in devpmnt
	Stakeholder Engagement	41	Risk models & frequency of reporting
		42	Social issues
		43	Technology risks
		44	Internal Shareholder Value Metrics (e.g.. EVA)
			Customer loyalty / retention
		45	Brand Profitability and/or Equity
			% of New customers vs. repeat sales

Key to Table 7. The individual information items are ranked by the number of firms that stay utterly silent on the item—number shown next to the item. Thus. only three firms do not talk about corporate governance, while 45 never mention new customers versus repeat sales.

Table 7 shows the individual questions, grouped and ranked on the basis of the number of firms that totally ignore them. For instance, only three firms stay completely silent on their corporate-governance model, which makes it the most often-discussed item. We form two categories—firstly, items that were discussed by at least half of the 48 firms, and then items that were discussed by less than half. Within each category, we rank by the number of blanks we drew.

The top-10 Greatest Hits contain few surprises. We see the importance of corporate governance issues confirmed, coming ahead even of the corporate goals and of vital non-mandatory financial items like planned investments in physical assets and R&D, segmental financial indicators, and earnings per share (EPS). The relatively low rank of EPS may be a bit of a surprise, to some. Market share and growth are obvious members of the top-10 items, too. The less popular items are almost exclusively drawn from the boxes of the least popular value drivers. It is not clear, of course, whether this means that companies regard these items as irrelevant, or deem the issue to be too sensitive, or never thought about mentioning it in the first place.

3.6 Sector differences

In Table 3 one also notices rather systematic differences between the average scores of the three sectors. By and large, the companies in the manufacturing sector disclose significantly more information than companies in the two other sectors: the average scores are 18,63% for the manufacturing sector, 12,32% for retail/distribution/media (RDM), and 11,35% for the Technology sector. It thus appears that companies from traditional industries are more communicative than younger companies in the Technology sector. The manufacturing sector outperforms the other two sectors quite consistently, *viz.* on each of the ten information categories except customers.

The interpretation of the superior performance of the manufacturing group is less obvious. Age and experience are not likely to be a major explanatory factor, since in each sector only a minority of the companies in our sample are newcomers as listed firms. Nor can one argue that the manufacturing industry is especially risk-prone and, therefore, generous with information. We see at least two possible explanations, one supply- and one demand-driven. In the supply-side view, the industrials feel the need to work harder to retain the investor's attention amidst the (then) raging dot.com madness. The demand-driven story, alternatively, argues that old-economy firms, having been active for a long time in a sector that is well understood by investors, know what information is being asked, and they respond to that. In contrast, when dealing with Hi-Tech firms investors know less well what questions to ask and how to use any information supplied by them. Low demand then generates low supply. The fact that the manufacturing firms are less different from the retail/distribution/media group than from the technology subsample is consistent with both the supply- and demand-side stories: manufacturing would normally have the most pronounced "old-economy" image, followed by retail etc, and with technology being at the other extreme.

3.7 Specific disclosure differences between sectors

To close this section, we provide more details on the three pairwise comparisons for each of the ten categories as reported in Table 8.

- *Macro-economic environment*
  The manufacturing sector significantly outperforms the technology sector with respect to information provision on the items market growth, economic conditions, political situation and environmental issues. All other disclosure differences between the other sectors are not significant, unless disclosure of economic condition between Technology sector and RDM, where RDM outperforms technology.

- *Strategy & Organization*
  Again, the manufacturing sector significantly outperforms the technology sector. As to individual items, the differences between manufacturing and technology are only significant for disclosure on Communication & disclosure policies, Stakeholder engagement, environmental performance and social performance. The disclosure differences regarding individual items between the other sectors are only significant for social performance between manufacturing and RDM.

- *Management and Performance*
  As far as information on management and performance is concerned, there is only a significant difference between the manufacturing sector and RDM. As to individual items, the differences between manufacturing and RDM are only significant for disclosure on Return on equity and Working Capital. Note that manufacturing also outperforms technology wrt ROE.

- *Risk Management*

  Although disclosure of risk management information is overall rather poor, there are significant differences between the sectors. Manufacturing outperforms technology overall, and specifically wrt disclosure of risk responsibility, compliance risks, environmental risks, health and safety risks and change management. Further, Manufacturing also outperforms RDM regarding the disclosure of health and safety risks.

- *Innovation*
  Overall, there are no significant disclosure differences between the sectors, but on the individual level both manufacturing and technology significantly outperform RDM wrt disclosure of R&D expenditure. Further, Manufacturing outperforms technology wrt brand profitability.

- *Brands*
  Overall disclosure on this information category is low and there are no significant disclosure differences between the sectors. On the individual level: both manufacturing and RDM outperform technology wrt disclosure of brand name awareness. Manufacturing outperforms technology wrt brand profitability.

Table 8: t-tests of mean differences between sector scores

Measures		M-T	M-RDM	T-RDM
	Macro-economic environment			
1	Level of competition	0,0980	0,0659	0,8631
2	Market growth (by segment & geography)	**0,0238**	0,1045	0,8088
3	Market share (by segment & geography)	0,7872	0,8733	0,9315
4	Economic	**0,0075**	0,3713	**0,0368**
5	Political	**0,0250**	1,0000	0,0537
6	Environmental	**0,0066**	0,1797	0,2974
7	Social	0,0753	0,1304	0,3356
8	Technological	0,1068	0,8349	0,1846
9	Legal	0,3195	0,6703	0,6298
	TOTAL	**0,0101**	**0,1341**	**0,1972**
	Strategy and Organization			
10	Statement of LT goals ('Mission Statement')	0,0961	0,0537	0,8822
11	Statement of ST/MT objectives (by segment)	0,1653	0,3452	0,5353
12	Have targets been set for the ST/MT objectives? (by segment)	0,7613	0,6995	0,9310
13	Business segmentation + changes	0,4183	0,9235	0,5016
14	Corporate governance model	0,1384	0,8427	0,1066
15	Detailed corporate governance information	0,1997	0,6469	0,3232
16	Risk Management Policy	0,1704	1,0000	0,2388
17	Communication and Disclosure Policies	**0,0312**	0,0821	0,7149
18	Stakeholder Engagement	**0,0004**	0,0516	0,1663
19	Environmental Performance	**0,0119**	0,2537	0,2790
20	Social Performance	**0,0000**	**0,0449**	0,1419
	TOTAL	**0,0081**	**0,3351**	**0,2162**
	Management & Performance			
21	Internal Shareholder Value Metrics (e.g.. EVA)	0,0896	0,1324	0,3356
22	Return on Equity	**0,0066**	**0,0107**	0,9494
23	Total Shareholder return	0,3783	0,2027	0,7381
24	Earnings per share	0,4657	0,1211	0,5657
25	Segmental financial indicators	0,6224	0,5665	0,9753
26	Working Capital	0,8690	0,0315	0,0703
27	Capital Expenditure	0,2032	0,2574	0,9704
	TOTAL	**0,0465**	**0,0118**	**0,4136**
	Risk management			
28	Risk models & frequency of reporting	0,1772	0,4284	0,2623
29	Risk responsibility	**0,0104**	0,3155	0,1648
30	Financial risks	0,0594	0,1277	0,9472
31	Compliance risks	**0,0242**	0,8358	0,1226
32	Environmental risks	**0,0163**	0,1361	0,1948
33	Health and Safety risks	**0,0035**	**0,0030**	0,9391
34	Technology risks	0,4669	0,6472	0,5993
35	Process risks	0,6402	0,6488	0,4486
36	Change management	**0,0195**	0,2925	0,1648
	TOTAL	**0,0028**	**0,1021**	**0,1974**

Measures		M-T	M-RDM	T-RDM
	Value drivers - innovation			
37	R&D Expenditure	0,9101	**0,0076**	**0,0179**
38	Contribution from new products	**0,0239**	0,4616	**0,0353**
39	Expected contribution from products in development	0,4523	0,5174	0,8155
	TOTAL	**0,2561**	**0,0847**	**0,3504**
	Value drivers - brands			
40	Brand/Corporate Name Awareness	**0,0009**	0,8526	**0,0242**
41	Brand Profitability and/or Equity	0,2340	0,4277	0,3356
42	Revenue protected by patent(s)	0,1932	0,0783	0,0821
	TOTAL	**0,0038**	**0,1924**	**0,0517**
	Value drivers - reputation			
43	Product Stewardship	**0,0364**	0,1753	0,3545
44	Health and safety performance	**0,0190**	**0,0003**	0,2838
45	Third Party ratings and awards	0,9483	0,1455	0,1707
	TOTAL	**0,0184**	**0,0017**	**0,3747**
	Value drivers - people			
46	Employee satisfaction	0,9753	**0,0165**	0,1074
47	Investment in training	0,7626	0,8225	0,6251
48	Employee profiles	0,7768	0,6606	0,7892
	TOTAL	**0,7163**	**0,3218**	**0,4512**
	Value driver - supply chain			
49	Product quality	0,3530	0,3407	0,9874
50	Process quality	0,0644	0,3373	0,2585
51	Supplier dependence	**0,0088**	0,5809	0,2614
	TOTAL	**0,0157**	**0,1695**	**0,3179**
	Value drivers - customer			
52	Customer loyalty / retention	0,1654	0,2386	0,5175
53	Customer satisfaction	0,3121	0,6817	0,1384
54	% of New customers vs. repeat sales	0,0821	0,3356	0,0829
	TOTAL	**0,0657**	**0,6769**	**0,3224**
	TOTAL VALUE DRIVERS	**0,0259**	**0,0137**	**0,6180**
	GRAND TOTAL	0,0030	0,0223	0,5894

- *Reputation*

  The manufacturing sector outperforms the two other sectors wrt the voluntary disclosure level of this information category. As to individual items, disclosure of health & safety performance is significantly higher in the manufacturing sector as compared to both other sectors.

- *People*
  Unlike most other information categories, disclosure scores are similar in the three sectors. There is only a significant difference between the manufacturing and RDM sector as to disclosure on employee satisfaction.
- *Supply chain*
  For this information category, the manufacturing sector significantly outperforms the technology sector. This difference is mainly due to disclosure differences wrt supplier dependence.
- *Customer*
  Unlike most other information categories, the manufacturing sector has the lowest score, but the difference with the other sectors is not statistically significant.

4. Conclusions

Our objective, in this report, is to picture the practices among Belgian public firms *re* voluntary disclosure. We provide an overall score, a subtotal for each of ten information categories, and individual scores. We likewise discuss results for the average or median firm, for the top performers, and for firms grouped by industry.

We find that only two subtotals, Management & Performance and Organization & Strategy, fare rather well almost across the board. The value drivers, in contrast, tend to come in among the lowest-ranked items, as does Risk Management. For two value drivers, Brands and Customers, around half of the companies even remain utterly silent. Across firms, there often is a pronounced right-skewness among the rankings for one subcategory.

The top-performing companies are doing spectacularly better on Risk Management, and (relatively) worse on macro information. Manufacturing firms do best, both in terms of total rating as well as on most subcategories, followed by retail/distribution/media (RDM) and then Technology. This is the ordering one expects if extra information aims at overcoming the relative lack of glamour among RDM firms and, especially, manufacturers. But it could equally well mean that investors simply know what questions to ask from traditional firms, and less so from tech companies.