A Work Project presented as part of the requirements for the Award of a Master's Degree in Management from NOVA – School of Business and Economics

Non-Financial Reporting - A Comparing Analysis with a Focus on Anti-Money Laundering: Evidence from Major European Banks

Cátia Isabel Figueiredo Nunes, No 3877

A Work Project Supervised by Professor Leonor Ferreira

January 2019

Abstract

This Work Project analyzes the disclosures from the largest banks in matters such as anti-money laundering in Germany, France and the United Kingdom. Directive 2014/95/EU has transformed the way that banks (exceeding 500 employees) disclose non-financial information. The findings show that the compliance level has increased from 2013 to 2017, while understandability level stood steady. The research highlights differences and similarities in disclosures of non-financial information of different banks despite common regulation. It adds to the literature a knowledge that is not limited to a specific country and offers an overview of the non-financial reporting in the Banking Sector.

Key words: Banks, Non-financial information, EU Directive, Comparability, Compliance, Understandability, Anti-money laundering

1. Introduction

As Rousseau once said, the reports are meant to be "the eyes of the public" (Rousseau, 1772).

Since the 2008 financial crisis, the financial sector has suffered enormous reputational damages, loss of trust from stakeholders and gigantic financial losses. As Groenfeldt (2017) stated, trust is always in the center of discussion when the topic involves this sector. Therefore, this is an intriguing sector to study almost 10 years after the crisis, specially to evaluate what they were willing to report in order to increase transparency and understandability and now, what they must report in order to comply with the new regulation.

The annual report has been the main source of information about the financial position of a company, its economic performance, and changes in the financial position. Given this, the general purpose of financial reporting is to provide financial information about the entity to potential investors, lenders and other creditors (IASB, 2008). These reports are composed by financial information and non-financial information. Financial information has played a key role in companies' annual reports; but, Non-Financial Information is climbing its way up in terms of attention, interest and importance (Accountancy Europe, 2017)[1]. One potential reason is the growing demand from shareholders and stakeholders for more and more information about non-financial data to better comprehend the company and to deal with expectations regarding the future. Such information relates to environmental and social, risk management, corporate governance and others, facilitating the task of informed choices (EY, 2016).

Faced with the inadequacy of capacity of value creation, the Global Integrated Report (GRI) emerged, and the European Union (EU) issued the Directive No. 2014/95/EU about the disclosure of non-financial and diversity of information. This Directive emphasizes the need for improving company's disclosures by adding non-financial information valued by the various stakeholders, in order to increase the understandability and comparability of the information disclosed between

[1]Furthermore, this recent topic is open to the debate and is attracting public interest, as the many events recently notice such evidence. Examples such as the thirty-fifth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) of the United Nations Conference on Trade and Development (UNCTAD) has as one of the themes "Enhancing *comparability* of sustainability reporting" demonstrating clearly the interest over the topic. The" Non-Financial reporting workshop presentation: *Current state of affairs and future of information disclosure*" given by Deloitte Latvia in 2015 and the "12th Sustainability Reporting and Communications Summit 2018 - Impact of NFRD and TCFDs on the future of reporting", are events that support the believe of relevance of the topic

companies and across countries. Larger EU companies, which are those with more than 500 employees (the "larger companies"), should apply this 2014 EU Directive from the year 2017 onwards.

Given the current timing, this Work Project is an exploratory paper about the disclosure of non-financial information by European banks: it analyses the framework for disclosure, the compliance level with the EU regulation and some characteristics of the information disclosed by banks, namely understandability and comparability.

The study focuses on the largest European banks, more specifically in Germany, France and U.K., that should comply with the new regulation. Moreover, banks need to comply with the new disclosure requirements of the locally transposed laws by 2018.

Begina (2016) and Venturelli, Caputo, Cosma, Leopizzi and Pizzi (2017) studied the non-financial information in the context of the Directive 2014/95/EU. However, both studies focus in a specific country, Italy and Greece respectively, and do compare the *national situation vs multinational*. Conversely, this Work Project is not limited to a specific country and adds to the literature an overview of the non-financial reporting in the Banking Sector in three additional countries: France, Germany and the UK.

The Directive 2014/95/EU[2] refers to anti-money laundering matters as part of the non-financial information that should be disclosed, provide protection not only against the misuse of national financial systems but also against criminal activity and, potentially, against terrorism (Goodman, 2015). Thereby, for the welfare of society, the added value in this information is massive. Hence,

[2] Non-financial information such as environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

this research focuses on anti-money laundering disclosures, with the aim to evaluate the compliance with the new EU regulation, understandability in non-financial reporting and comparability. For this purpose, an analysis of annual reports was performed.

The Work Project proceeds as follows. Section 2 introduces the conceptual and regulatory framework for anti-money laundering disclosures and provides information about the regulation in force (EU Directive). Section 3 reviews the empirical literature about anti-money laundering while Section 4 outlines the research questions, methodology, sample and data. Section 5 answers to the research questions and discusses the results. Finally, Section 6 presents the main conclusions of the study, its limitations and gives suggestions for future research.

2. Conceptual and Regulatory Framework

The term *Non-Financial Information* can simply be understood as everything that is not financial. However, such a broad definition accepts various interpretations. According to the Federation of European Accountants (FEE), "non-Financial Information is all the information disclosed by the company that cannot be explained with a currency. In spite of the appellation, it can have financial consequence – on the profit and loss account or on the market value of the company due to reputational damage, for example." (FEE, 2016: 6)

The major issue at stake with this concept is the value of the disclosed information. Therefore, the distinction between non-financial and financial information is imperative: the former informs the decisions taken and the providers of corporate finance. Insights on internal and external policies, values, management and perspectives are in the scope of this definition (FEE, 2016).

After the 2008 financial crises, *transparency* has become a hot topic within financial institutions. *Transparency* defines as "the *availability* of information to the general public and *clarity* about government rules, regulations and decisions" (Asian Development Bank, 1995: 11).

The consequence of the indisputable importance of transparency nowadays is the more and more legislation about disclosure of information and the increase of investors' interest in non-financial data. Eccles, Krzus, and Serafeim (2011) anticipated that "market interest in non-financial data will increase exponentially as more companies disclose more non-financial information, more knowledge is developed by research and teaching programs in business schools, and more investors develop more sophisticated valuation models." (Eccles, Krzus, and Serafeim, 2011: 127). The number of companies disclosing non-financial information has grown significantly (from 30 in the early 1990 to more than 6,000 in 2010 (Serafeim, 2014)), demonstrating the growing importance that stakeholders are giving to this type of information.

However, there is a lack of comparability and understandability in non-financial disclosures (Burrit, 1999) and it has become clear over the years that voluntary transparency has reached its limit (EY, 2017).

Comparability and understandability are key concepts in the motivation for approval of regulation in this matter. Hence, according to IASB (2018: 2.24-2.25), comparability is described as the characteristic that "enables users to identify similarities in, and differences among, items." and understandability assumes that "classifying, characterizing and presenting information clearly by and concisely makes it understandable." IASB (2018: 2.34-2.36).

The purpose of the Directive is to overcome the lack of trust of stakeholders, consumers and investors in the information disclosed. As a Directive, each member state could make changes in order to adapt and should transpose the Directive itself. Thus, variables such as definition of a large undertaking, public interest entity, report topics and content, reporting framework, disclosure format and diversity reporting required could differ from member state to member state (CSR Europe and GRI, 2017). Nevertheless, the United Kingdom imposed regulation regarding non-financial information in 2016 and France and Germany in 2017. All three countries have similarities and differences in the way that they apply, present and which framework they rely upon to follow the Directive. Appendix 1 sums up all of these aspects.

To enhance the understandability and comparability in non-financial information disclosed by EU companies, the UE approved Directive 2014/95/EU. The new regulation amends Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. According to Article No. 1 of the Directive, this new regulation applies to EU member states, more specifically to public-interest entities (PIE) with an average number of 500 employees during the financial year. These entities are required to disclose information in a consolidated non-financial statement, on several non-financial matters, to the necessary extend for an understanding of the undertaking's development, performance and position, and of the impact of its activities. The Directive provides a typology of non-financial information, and helps defining its categories, by stating that at a minimum information must be provided on the following subjects: environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters. Besides a brief description of the company's business model, disclosure requires for each of the above matters: a description of policies, including due diligence processes implemented; outcomes of these policies; related risks and how the company manages them; non-financial key performance indicators relevant to the particular business (Directive 2014/95/EU, Article 19a).

In what concerns the framework used to report non-financial information, the Directive is vague, mentioning that "undertakings (…) may rely on national frameworks, Union-based frameworks (…), or international frameworks (…)" (Directive Nr. 2014/95/EU). The frameworks for reporting and verification on non-financial data are the Global Reporting Initiative, Integrated Framework, Global Compact, AA 1000 and ISAE 3000 (Deloitte, 2015). That leaves an open door, resulting in an extensive propagation of frameworks around non-financial information reporting. To overcome this question, a potential solution is to create a global framework for non-financial information reporting, with clear headlines and structure, similar to IFRS[3] Standards. (Accountancy Europe, 2017).

Some of the challenges of non-financial information are related to the age of a company: starters may be facing issues related with definitions, data collection governance and organizational competence; front-runners may face challenges related to reporting complex supply chain disclosures (EY, 2016).

Deloitte (2015) refers to benefits of reporting non-financial information, such as the improvement of business reputation, generation of positive exposure to the media, enhancement of relationships with customers, suppliers and stakeholders and improvement of efficiency and process management. Research has shown that transparency also leads to better performance and the disclosure of environmental, social, and governance (ESG) has economic effects: "Higher levels of transparency reduce informational asymmetries between the firm and investors, thus mitigating perceived risk." (Cheng, Ioannou and Serafeim, 2014: 27). Moreover, investors can better assess the opportunities and risks of future investment if they are provided with insight into the policies and performance of non-financial aspects of the business (EY, 2017).

[3] International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

3. Literature Review

Early empirical research about non-financial disclosures focused on companies' voluntary disclosure practices, as there was no regulation imposing disclosure of such type of information. Nonetheless, since mandatory non-financial disclosure emerged, studies have revealed that this change has forced companies to improve their performance in what concerns the environment (Delmas, Montes Sancho & Shimshack, 2010). These facts lead us to ask about the potential externalities of voluntary *versus* mandatory disclosure, and whether more regulation means companies disclose more information and of a higher quality.

"Corporate Social Responsibility" (CSR) is clearly based on a voluntary approach (European Commission)[4]. Taking this in consideration, Dincer (2011) reveal that this voluntary basis of CSR lead shareholders to recognize the positive impact of disclosing this type of information, given the utility of data disclosure for reputation issues and for answering the stakeholders' need for more corporate information. In addition, several externalities from non-financial reporting could emerge. Hence, as Sial, Zheng, Khuong Nguyen and Usman (2018) concluded, firms with better performance report more on CSR activities than those with lower performance. In the same line of thought, Fijałkowska, Zyznarska-Dworczak and Garsztka (2018) found that banks located in the Central and Eastern Europe with better financial efficiency also have higher efficiency of CSR activities, indicating that the larger the bank (in financial terms), the more it shows concern and openness to non-financial, corporate and social responsibility issues.

[4] https://ec.europa.eu/growth/industry/corporate-social-responsibility_en, accessed December 8, 2018.

More recently, the empirical literature regarding the disclosure of non-financial information shifted to the discussion of benefits and consequences of mandatory *versus* voluntary reporting. As an example, Aksu and Espahbodi (2016) analyzed whether the mandatory or voluntary regulation provides better quality of disclosure and found that the mandatory implementation of IFRS had a positive impact on Transparency & Disclosure for a sample of companies listed on the Istanbul Stock Exchange. In other study, Begina (2016) analyzed the quality and comprehensiveness of sustainability disclosure in the voluntary and mandatory cases. The author compares the level of non-financial disclosure of Greek banks to the largest European ones, using an "evaluation tool based on the reporting principles included in the GRI G4 Guidelines and conducted an evaluation of stand-alone CSR annually reports published by three Greek banks and the ten largest European banks." (Begina, 2016: 4)

Venturelli, Caputo, Cosma, Leopizzi and Pizzi (2017) evaluated the information gap for Italian companies and the adjustments required by the new EU Directive No. 2014/95/EU. In order to analyze the diversity and level of non-financial disclosure, the authors used the "Non-financial Information Score" (NFIS), a model that records the required information as a percentage. In a similar research, Lourenço (2017) analyzed the gap of information from companies listed on Euronext Lisbon, combining content analyses with the NFIS. These two papers, though insightful and relevant, only provide comparative views between a specific country and the largest companies in Europe. To the best of our knowledge, empirical research exclusively focused on the largest banks within the European Union still does not exist despite the new regulation - the Directive 95/2014/EU. This Work Project fills this void, and contributes to a better understanding of the non-financial information scenario in the largest banks of the European Union.

4. Research Design

The purpose of this Work Project is to get an overview into non-financial reporting by the largest banks in the European Union. More specifically, it aims to characterize banks' disclosures about anti-money laundering topics, and to assess the evolution from 2013 to 2017 of the largest European banks' compliance level with regulation, to analyze understandability and-comparability of information disclosed by banks and to get insights about the framework they used to disclose non-financial information. Thereby, the research questions addressed are as follows:

RQ1: *Which non-financial information required by the Directive are banks disclosing?*

RQ2: *What format do banks use to disclose the non-financial information?*

RQ3: *How much non-financial information are banks disclosing?*

RQ4: *To what extent are banks complying with the new regulation?*

RQ5*: Is the non-financial information understandable?*

Sampling criteria

The universe of this research is composed by the 50 largest banks in Europe (see Appendix 2). All of them have more than 500 employees[5], the lower limit for the mandatory disclosure of non-financial information. Out of this universe, only banks with headquarters located in the European Union were selected, to make sure that they apply EU Directives and EU regulations. All the banks selected have their shares listed in any EU Stock Exchange, so that all of them report according to

[5] To make sure that every single bank has more than 500 employees, the number of employees was checked in the annual report of each bank.

IFRS from IASB. Therefore, seven banks were excluded[6] leaving the sample with the 43 largest banks in Europe. France, United Kingdom and Germany were selected since these countries contain the highest number of banks in this list, representing 62% of the total assets of the top 43 largest banks in Europe. Moreover, based on size criteria, the three biggest banks from each country (proxied by total assets) were selected for analysis. According to Eurostat (2017), these countries have the largest GDP in the European Union[7].

Table 1: Sample Characteristics

	Country	Average of Total Assets*	Average of Nº Employees**	Year Country Law: Applicable
HSBC Holdings	U.K.	2,522	246,772	2016
BNP Paribas SA	France	1,982	190,000	2017
Deutsche Bank AG	Germany	1,603	98,955	2017
Société Générale SA	France	1,307	134,960	2017
Barclays Plc	U.K.	1,214	128,709	2016
Lloyds Banking Group	U.K.	827.8	76,913	2016
Commerzbank AG	Germany	514.4	50,028	2017
DZ Bank Group	Germany	442	29,641	2017

* 2013-2017 in bn EUR

** 2013-2017

Larger European banks generally offer better access to information and have more investors. They often serve as a benchmark to smaller ones and have much more to lose in terms or financial and non-financial repercussions, given their scale of capital and reputation. The total assets of the nine banks included in the sample amount to more than 69 per cent of the total assets of banks set in the three countries (see Appendix 3 and Table 1). The research covers the five-year period ranging

[6] CREDIT SUISSE GROUP AG, UBS GROUP AG, PAO SBERBANK OF RUSSIA, DNB ASA, RAIFFEISEN GRUPPE SWITZERLAND, JSCVTB BANK AND ZURCHER KANTONALBANK were not included due to having their headquarters based outside the EU. The non-inclusion of CREDIT SUISSE GROUP AG, RAIFFEISEN GRUPPE SWITZERLAND AND ZURCHER KANTONALBANK is also due to the fact that this bank adopted the U.S. GAAP in its financial reporting.

[7] https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180511-1?inheritRedirect=true accessed December 8, 2018

from 2013 to 2017. The latter is the most recent year for which reported information is available, and the former is the year before the approval of the Directive 2014/95/EU. The evolution of disclosure of non-financial information by the largest European banks is also studied, as changes occurred in these periods and the versatility of information disclosed can be observed. All of these banks were audited by a Big Four (Deloitte, EY, KPMG or PwC) in 2017, meaning that the type of auditor is not what differs between these banks.

Data Collection

The consolidated annual reports of each bank from 2013 to 2017 were downloaded from the banks' websites, and data was later retrieved from the 45 annual reports. Data was hand-collected through the content analysis of the reports, resorting to the word-search program embedded in Adobe Reader to locate key words such as *non-financial risks*, *risk appetite*, *financial crime*, *anti-money laundering*, *corruption*, *anti-bribery, core-markets, sanctions, KPI (Key Performed Indicator)* and *business model* throughout more than the 16,996 pages of the 45 reports.

During data collection, some difficulties had raised: of the nine banks selected for analyses, one bank (CRÉDIT AGRICOLE) did not present the annual report in a separate pdf file ready and available to download from the bank's website. Conversely, the bank opted to have all information inside of the website itself and spread over. This fact justifies the exclusion of this bank's reports from the sample given the lack of comparability and consistency and the risk to fail in finding all the information disclosed.

The extensiveness of the annual reports from the banks is one aspect that has interfered with the data collection, since they are extensive documents with a lot of information. Moreover, the same topic is mentioned in a different perspective several times, making the analyses more complicated to asses and to give a score in these situations. One example of different denominations for the same topic is the committee in charge for non-financial subjects such as anti-money laundering or corruption that, usually, has different names across different banks and, sometimes they are inserted inside of other committees: COMMERZBANK with the Group Operational Risk Committee; LLOYDS BANKING GROUP with Anti-Money Laundering Officer and DEUTSCHE BANK with the Group Financial Crime Governance Committee. Nevertheless, Appendix 5 shows how the understandability level was studied.

Variables and Score Analysis

Data was collected for the information presented in Appendix 5. The non-financial information is analyzed regarding the following variables: framework used (RQ 2), comparability across time and banks and the quantity of non-financial information banks disclose (number of pages) in relation to the report as a whole (RQ 3), level of compliance (RQ 4), and level of understandability (RQ 5). To analyze the level of compliance (RQ 4), a "Score Analysis" was designed. This score includes five assessment grids that cover the disclosure requirements stated in the Directive 2014/95/EU, namely: a brief description of the group's business model (*g1*); a description of the policies pursued by the group in relation to those matters, including due diligence processes implemented (*g2*); the outcome of those policies (*g3*); non-financial risks (*g4*) and non-financial key performance indicators relevant to the particular business (g5).

For each grid, a compliance percentage is computed by assessing the presence of mentioned items. (See Appendix 5). The score was computed as follows:

$$S = \frac{\sum_{i=1}^{5} d_i}{\sum_{i=1}^{5} r_i} \quad [1]$$

S: Compliance level's score; ***i:*** Number of grids; ***r:*** Total number of points in each grid required by the Directive; ***d:*** Total number of points in each grid disclosed by each bank;

Points were assigned to measure the degree of completeness in the annual reports to match the level of compliance with the requirements of the Directive. A binary scale (where 0 indicates the absence of disclosure and 1 indicates full disclosure) is used to designate a specific score to each section and generating an overall level of compliance as a percentage (by dividing the point score for each section by the maximum possible score, which is 28 points). This methodology is based in Venturelli *et al*. (2017).

Regarding the level of understandability (RQ 5), the same type of analysis was used. However, a five-point Likert scale was applied to more subjective topics, where 0 stands for "Strongly Disagree" and 5 "Strongly Agree". For this purpose, four parameters were assessed[8]. The Likert Scale was used because it is highly flexible, provides quantifiable data about what would otherwise be only subjective opinion, is one of the most recognized scales and, therefore easy to read and interpret. However, this scale requires a great deal of decision-making and can take a long time to analyze data (Likert, 1932).

In what regards the understandability of the data, a univariate and bivariate analysis was used. Univariate analysis helps to understand the data better and to provide an overview of non-financial information issued by banks, To deepen the knowledge and comprehension about the characteristics of non-financial disclosures of banks, a bivariate analysis was done (contingency tables, correlation analysis between the compliance level and the ratio between pages of non-financial information total number of pages of the report and the size of the bank). As the research is based on a small sample, non-parametric statistical tests were conducted, such as the McNemar's test that uses contingency tables with a dichotomous trait.

[8] First parameter consists in assessing if the report contains the level of information required by stakeholders, avoiding excessive and unnecessary details; second evaluates if the report is Reader-Friendly: diagrams, quick overview about the topic tables and glossary; third sees if the report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders; and forth assess if the information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.

5. Results

5.1. Content of non-financial information disclosures (RQ1)

According to the five grids mentioned in section 4 that focus on anti-money laundering, corruption and anti-bribery, the largest European banks generally disclose the same information over time in what concerns the business model (grid 1): scores are generally high and steady over time.

Table 2: Scores Over Time per Type of Non-Financial Information

	2013	**2014**	**2015**	**2016**	**2017**	**Standard Deviation**
Brief description of the group's business model (Grid 1)	0.76	0.78	0.79	0.76	0.76	0.011
Description of the policies pursued by the group (Grid 2)	0.25	0.42	0.46	0.56	0.60	0.124
The outcome of those policies (Grid 3)	0.00	0.08	0.23	0.25	0.35	0.126
Non-financial risks (Grid 4)	0.97	0.97	1.00	1.00	1.00	0.015
KPI (Grid 5)	0.13	0.21	0.29	0.33	0.33	0.081

Regarding the anti-money laundering policies pursued by each bank (grid 2), data shows a general increasing trend, meaning that, over time, banks are disclosing more information about anti-money laundering, corruption and anti-bribery policies. However, two banks skip this trend: one bank (DZ BANK) does not disclose any information in this grid since 2013 and LLOYDS BANK besides having a high score, it appears that there is no pretension to disclose more information, as the score is the same every year and the format of disclosing information does not change. The policies themselves are quite similar, passing from detective and preventive tools, to mandatory training for employees, more policies regarding KYC (Know You Customer) and enhancing compliance.

Moving on to grid 3, where a description of the policies pursued by the group is required, the general conclusion lead us to believe that banks do not disclose many information about outcome of the anti-money laundering policies. However, five banks have increased this type of disclosure over time.

Regarding non-financial risks (grid 4) all the banks achieve a high score, thus leading to the conclusion that banks are already disclosing information about this issue on a voluntary basis since 2013, hence regulation did not change anything in this respect. All banks in the spectrum of this Work Project had mentioned somehow the operational risk and the financial and non-financial consequences of this risk. Therefore, the operational risk culture within these banks is deep and internalized.

Finally, the fifth grid, KPI about anti-bribery, anti-corruption and anti-money laundering garners the lowest score and it appears that banks are not concerned to disclose this type of information, as the scores stay steady over time. The KPI's grid comprises three topics, including anti-money laundering KPI, risk indicators and the outcome achieved by anti-money laundering (AML) policies. No bank mentioned KPI regarding AML, but throughout the years, the risk indicators' topic was slowly appearing. DEUTSCHE BANK and HSBC were the only banks that in the last years have introduced some outcomes achieved by anti-money laundering, corruption and anti-bribery, albeit concerning specific past issues, either those already solved or those in the process of being solved, such as the FIFA sanction scandal in HSBC.

This conclusion led to believe that there is space to improve and to be more transparent in what regards corruption, as the Directive does not give preference to any topic (environmental, social, employee matters and human rights), as mentioned in section 2.

Nevertheless, this is a recent topic within banks and countries. The United Kingdom imposed regulation regarding non-financial information in 2016, and France and Germany as well in 2017, providing ample space for improvement and changes in the upcoming years.

Thereby, and per Venturelli, et al. (2017) an information gap remains (within topics such as anti-money laundering and bribery and KPIs) although the implementation of the Directive should help to fill it in the coming years, since 2017 was, the year in which banks had disclosed more.

5.2. Framework used in disclosures (RQ2)

In fact, from 2013 to 2017, all banks in the sample disclosed non-financial information every year. The difference here is how they did it. A divergence was accepted since, as mentioned before, the Directive itself gives freedom in this aspect and there are several methodologies of reporting (for instance, the Global Reporting Initiative, the Integrated Framework, and more).

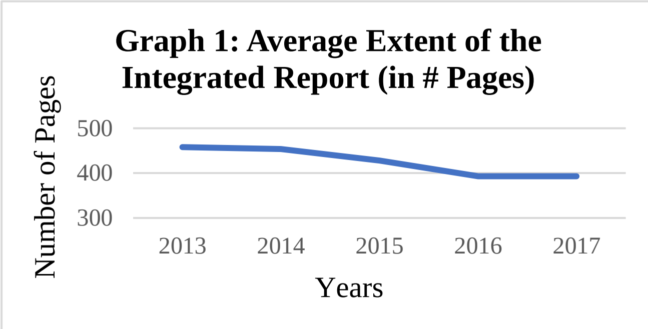
Different formats of presenting the information were observed among banks: some disclosed non-financial information in a separate report with all the information concentrated together, but the outcome shows that the majority (seven out eight banks, apart from DEUTSCHE BANK) disclosed non-financial information in an integrated report. Each bank adopted the same framework throughout the years 2013 to 2017, meaning that banks are not changing how they disclose information. In general, the integrated report is an extensive document (with 390 pages in 2017, on average[9]) where banks disclose all financial and non-financial information of the bank itself. Therefore, this type of report is harder to analyze than if it was separated per topic into smaller reports. The results show a decreasing tendency from the last five years of the number of pages in an integrated annual report (Table 3 and Graph 1).

Table 3: Extent of the Integrated Annual Report (#pages)

	2013	2014	2015	2016	2017	Min	Max	Mean	Stand.Deviat.
HSBC	598	488	502	286	274	274	598	429.6	127.94
BNP Paribas	455	508	540	551	580	455	580	526.8	42.66
Barclays Bank	436	348	356	380	328	328	436	369.6	37.15
Societe Generale	486	573	495	532	566	486	573	530.4	35.52
Lloyds Banking Group	396	348	311	348	278	278	396	336.2	39.69
DZ Bank Group	372	408	420	242	388	242	420	366	64.15
Commerzbank AG	345	347	351	324	316	316	351	336.6	13.92

[9] Taking in consideration that Deutsche Bank did not enter in these computations since the bank has a separate report.

The bank that had reduced the most the number of pages was HSBC, given the 127.94 standard deviation. From the other side, COMMERZBANK was the one that kept the number of pages constant over time.



A common characteristic of these reports is the heaviness of text that each report contains and the election of tables to display financial information. Per contra, when it comes to non-financial information, text is the key attribute to communicate with the stakeholders.

5.3. Extent of non-financial information disclosures (RQ3)

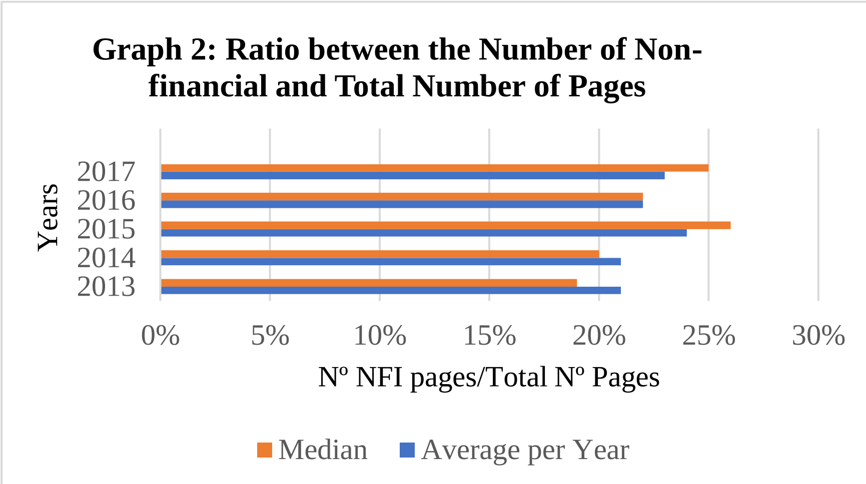
A ratio between non-financial information and total number of pages of the report was computed.

Table 4: Ratio between Non-Financial Information and Total #Pages

	2013	2014	2015	2016	2017	Max	Min	Average
HSBC Holdings	15%	15%	27%	26%	28%	28%	15%	22%
BNP Paribas SA	31%	31%	36%	33%	32%	36%	31%	33%
Deutsche Bank AG	19%	16%	21%	20%	21%	21%	16%	19%
Barclays Plc	26%	30%	25%	24%	25%	30%	24%	26%
Société Générale SA	27%	24%	31%	26%	27%	31%	24%	27%
Lloyds Banking Group	14%	24%	28%	19%	26%	28%	14%	22%
DZ Bank Group	20%	14%	10%	14%	10%	20%	10%	14%
Commerzbank AG	14%	16%	17%	14%	16%	17%	14%	15%

Results show that the ratio has increased across the years for two banks (HSBC and DEUTSCHE BANK), but for the rest of the banks, there is no clear path, meaning the ratio is volatile over time. In what regards the evolution over time (Graph 2), it is clear that in 2015 (post Directive period) banks did make an effort to increase this ratio comparing to the previous years, however, the change is not that significant.

Given this, it is fair to conclude that banks are still in a search of the correct balance between how much non-financial information they want to disclose in relation to the financial one. However, considering that the number of pages of the annual report about non-financial information does not change markedly over time (standard deviation is approximately 47 pages between 2013 and 2017), the change occurs not because banks are disclosing more non-financial information (numerator) but because banks are reducing the total number of pages of the annual report (denominator), taking in consideration that the standard deviation is approximately 226 pages in this period (see Appendix 7 and Appendix 8).



Another interesting finding is that there is no direct link between time and regulation that could affect the trend of cutting or expand in number of pages of the reports, given the ratio's maximum is most of the times not in 2017.

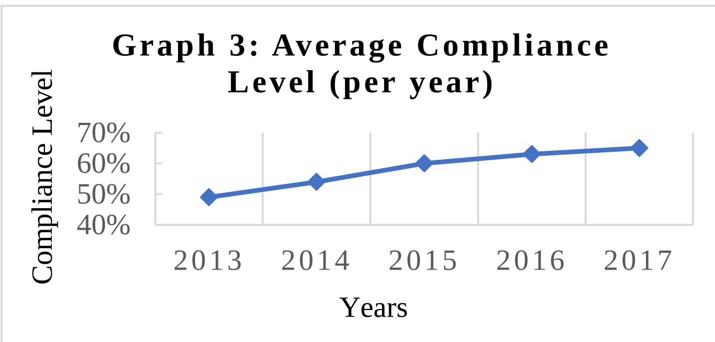
5.4. Compliance level (RQ4)

As expected, because 2017 was the deadline to follow the Directive, the level of compliance increases over time, 2017 being the year with the highest percentage. Six out of eight banks show this trend, the exceptions being Lloyds Bank and HSBC, however, with minor differences. The median is the value that separates the 50% highest values of the sample from the 50% lowest values. In Table 5 the median per year presents a consequent increase.

Table 5: Compliance Level

	2013	2014	2015	2016	2017	Max	Min
HSBC Holdings	46%	64%	75%	93%	86%	93%	46%
BNP Paribas SA	39%	46%	46%	50%	54%	54%	39%
Deutsche Bank AG	57%	68%	75%	75%	79%	79%	57%
Barclays Plc	43%	50%	50%	46%	54%	54%	43%
Société Générale SA	46%	46%	61%	68%	75%	75%	46%
Lloyds Banking Group	57%	61%	71%	68%	68%	71%	57%
DZ Bank Group	46%	46%	46%	39%	46%	46%	39%
Commerzbank AG	54%	54%	54%	61%	61%	61%	54%

This value supports the conclusion set by the average (Graph 3): over time, banks are disclosing more non-financial information in a way that leads them to have a highest compliance level.



The correlation coefficient between the quantitative aspect of non-financial information, disclosed in Table 4, and the level of compliance, by year, is -0.77 in 2013 and 0.43 in 2017. A clear trend was not found, leading to believe that more does not necessarily mean better. The only exceptions of these results are HSBC and LLOYDS BANK, which presented respectively a 0.86 and 0.73 correlation level across the five years. For a deeper overview of these variables, the McNemar's test was performed taking in consideration the average. This test proved the statistical significance (as the result was approximately 0.89) of these variables. Therefore, the correlation coefficient computed before is also statistically significant.

In an attempt to understand if the compliance level is associated to the size of the bank (proxied by total assets), a correlation index was computed. For this purpose, 2017 was the year chosen in what regards the compliance level and in what concerns size, the average of total assets (2013-2017) was considered as well. The result was approximately 0.58, meaning that size has a moderate positive relationship with compliance level (the bigger banks in the sample comply more with the Directive).

5.5. Understandability level (RQ5)

To measure understandability of non-financial information disclosures (i.e. how clear, transparent and understandable the reports are) an index of understandability was applied. It resulted that banks do not tend to modify the structure and language of the reports drastically over time, as shown by the steady and constant level of understandability and the constant wording and expressions used in the report itself. For example, the committees, the explanation of the risks and type of risk generally do not change over time – when an explanation of a policy is required or needed, banks normally reuse the text from the last year (when available). The only exception is DEUTSCHE BANK, which in 2017 had a big improvement in the index (See Table 6), mostly motivated by the introduction of more diagrams, quick overviews and the elimination of excessive and unnecessary details in relation to the previous years.

Table 6: Understandability Level Analysis

	2013	**2014**	**2015**	**2016**	**2017**	**Average**	**Min**	**Max**	**Stand. Deviat.**
HSBC Holdings	60%	65%	65%	65%	65%	64%	60%	65%	2%
BNP Paribas SA	50%	50%	50%	50%	50%	50%	50%	50%	0%
Deutsche Bank AG	60%	65%	65%	65%	75%	66%	60%	75%	5%
Barclays Plc	70%	75%	70%	60%	60%	67%	60%	75%	6%
Société Générale SA	65%	65%	65%	65%	65%	65%	65%	65%	0%
Lloyds Banking Group	65%	65%	70%	70%	70%	68%	65%	70%	2%
DZ Bank Group	50%	50%	50%	50%	50%	50%	50%	50%	0%
Commerzbank AG	65%	65%	65%	60%	60%	63%	60%	65%	2%
Average per year	61%	63%	63%	61%	62%				
Median per year	63%	65%	65%	63%	63%				

In 2017, the only banks that do not present the maximum level of understandability are BARCLAYS BANK and COMMERZBANK, whose level was better before 2015. This result may be explained by the removal of diagrams and quick overviews from the banks' report, probably motivated by the change of management in 2015 (chairman and group CEO in BARCLAYS's case and CEO in COMMERZBANK's case), that could culminate in the change of the staff in charge of doing the annual reports.

6. Conclusion

This Work Project investigated the reporting of non-financial information by the largest banks in Europe with a focus on anti-money laundering, according to the regulatory framework approved by the Directive 2014/95/EU. As a main finding, the study reveals that banks (in Germany, France and the United Kingdom) are increasing the reporting of non-financial information in their annual reports over time and there is a tendency to increase the compliance level. However, areas of reporting such as anti-money laundering and bribery have room to grow and be explored in a deeper way to characterize Key Performance Indicators or policies that are more concrete. In what concerns how the information is disclosed, data shows that banks do not tend to change the format of disclosing: over time, there is a clear tendency of reducing the number of pages of the extended annual report and, most of the banks prefer to disclose in an integrated report instead of a separate report. In addition, there is a moderate positive relationship between the size of the bank and the extend of non-financial information disclosures, meaning that bigger banks (in terms of total assets) tend to disclose more non-financial information.

This paper may help smaller banks in the scope of the new regulation to have a benchmark about non-financial information disclosure. For the largest banks, this Work Project could help to fill the gaps in non-financial information on the topic of anti-money laundering and bribery in a way that on the upcoming years, it could be more precise and informative. Thereby, it adds to the literature a study of a contemporary topic, not limited to a specific country or region, and an overview of the non-financial reporting in the European Banking Sector, especially in the largest economies in Europe (United Kingdom, Germany and France).

Limitations such as the number of studied banks or the variety of countries explored are present in this Work Project. Hence, given that comparability across the years was an objective of this study, the sample of 40 annual reports might not be enough to have a fair overview of the actual situation in the European banking.

Further research on the topic of non-financial information could be an option to update this Work Project and study how banks will face it and evolve over the years. Including data on more European countries and more banks could allow for comparisons not only across time, but also by country or region in Europe. A comparability analysis regarding the voluntary disclosure of non-financial information (before 2014) *vs* mandatory disclosure should be the next step, given that this could answer some questions concerning the real impact of the Directive itself and how regulation changes the topics or the way that banks disclose this type of information.

References

Accountancy Europe. (2017). "Enhance the Coordination of Non-Financial Information Initiatives and Frameworks". 1-2.

Accountancy Europe. (2017). "Member State Implementation of Directive 2014/95/EU: A Comprehensive Overview of How Member States are Implementing the EU Directive on Non-financial and Diversity Information". 1-9.

Aksu, M. H., Espahbodi, H. (2016). "The Impact of IFRS Adoption and Corporate Governance Principles on Transparency and Disclosure: The case of Borsa. Istanbul". *Emerging Markets Finance and Trade*, 52: 1013–1028.

Asian Development Bank. (1995). "Governance: Sound development management. Manila, Philippines: Asian Development Bank". https://www.adb.org/sites/default/files/institutional-document/32027/govpolicy.pdf (accessed July 28, 2018).

Begina, Aikaterini. (2017). "Corporate and Social Responsibility Reporting in the Greek Banking Sector: A comparative approach". Master diss. International Hellenic University

Burrit, R. (1999). “Environmental Accounting and Reporting in Victoria, Australia”. *News Journal of the Asia Pacific Centre for Environmental Accountability*, 5 (3): 6-11.

Cheng, B., I. Ioannou, and G. Serafeim. (2014). “Corporate Social Responsibility and Access to Finance”. *Strategic Management Journal* 35(1): 22–30.

CSR Europe, GRI. (2017). “Member State Implementation of Directive 2014/95/EU: A comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information”. https://www.globalreporting.org/resourcelibrary/NFRpublication%20online_version.pdf (accessed August 21, 2018).

Delmas, M., M.J. Montes-Sancho, and J.P. Shimshack. (2010). “Information disclosure policies: Evidence from the electricity industry.” *Economic Inquiry* 48(2): 483-498

Deloitte. (2015). “Non-Financial Reporting".https://www2.deloitte.com/content/dam/Deloitte/lv/Documents/strategy/Non-financial_reporting_2015.pdf (accessed August 3, 2018).

Dincer, Banu. (2011). “Do the Shareholders Really Care about Corporate Social Responsibility?”. *International Journal of Business and Social Science*, 2: 71-76.

Directive 2014/95/EU: European Parliament and of the Council. (2014). *Official Journal of the European Union*.

Eccles, R., M. Krzus, and G. Serafeim. (2011). “Market interest in nonfinancial information”. *Journal of Applied Corporate Finance*, 23(4): 113-127.

Ernst & Young. (2017). EU Directive: disclosure of non-financial information and diversity information. https://www.ey.com/Publication/vwLUAssets/Law_NFI_reporting/$FILE/Law%20NFI%20reporting.pdf (accessed July 28, 2018).

Ernst & Young, (2016). "The road to reliable nonfinancial reporting". 1-28.

Eurostat. (2017). “Which Member States have the largest share of EU’s GDP?”. https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180511-1?inheritRedirect=true (accessed December 20, 2018).

FASB - Financial Accounting Standards Board. (1980). “Qualitative Characteristics of Accounting Information”. *Statement of Financial Accounting Concepts,* 2: 1-60.

FEE - Federation of European Accountants. (2016). "EU Directive on disclosure of nonfinancial and diversity information Achieving good quality and consistent reporting". 2-10.

Fijałkowska J., Zyznarska-Dworczak B., Garsztka P. (2018). “Corporate Social-Environmental Performance versus Financial Performance of Banks in Central and Eastern European Countries”. 14-17.

Goodman, Kevin W. (2015). “Anti-Money Laundering: An Often-overlooked Cornerstone of Effective Compliance”. U.S. S.E.C. https://www.sec.gov/news/speech/anti-money-laundering-an-often-overlooked-cornerstone.html (accessed November 7, 2018).

Groenfeldt, Tom. (2017). “Customer Trust is the Key for Banks to Build Long-Term Relationships”. Forbes. https://www.forbes.com/sites/tomgroenfeldt/2017/06/16/customer-trust-is-the-key-for-banks-to-build-long-term-relationships/#717e18fb3060 (accessed August 6, 2018).

IASB [International Accounting Standards Board]. (2008). “Exposure Draft on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information”: 1-14.

Likert, R. (1932). “A Technique for the Measurement of Attitudes.” Archives of Psychology, 22:1-55.

Lourenço, H. (2017). “A divulgação de informações não financeiras no âmbito da Diretiva 2014/95/UE: O atual grau de cumprimento das empresas cotadas em Portugal”. Master diss. Universidade do Porto. 1-76.

PwC [PricewaterhouseCoopers]. (2017). “The non-financial reporting regulations What do they mean in practice?”. 9-10.

Rousseau, J.-J. (1772). “Considerations sur le Gouvernement de Pologne”. London: J. J. Rousseau.

Serafeim, G. (2014). “Turning a profit while doing good: aligning sustainability with corporate performance.” Governance Studies, Brookings Institution. 3-9

Sial M, Zheng C., Khuong Nguyen, Kahn T. and Usman M. (2018). “Does Firm Performance Influence Corporate Social Responsibility Reporting of Chinese Listed Companies?”. *Sustainability* 10(7):112.

Venturelli, A., Caputo, F., Cosma, S., Leopizzi, R., Pizzi, S., (2017). “Directive 2014/95/EU: Are Italian Companies Already Compliant?” 1-19.

Appendices

Appendix 1: Member State Implementation of Directive 2014/95/EU: Germany, France and U.K.[10]

	Germany	France	U.K.
Who Applies	**1.** Over 500 employees **2**. Net turnover over EUR 40 million; *or* Balance sheet total > EUR 20 Million **3.** Public Interest Entity: • Credit institutions • Insurance undertakings • Capital market oriented companies in the legal form of a limited liability company or cooperative	**1.** Over 500 employees **2**. Net turnover over EUR 40 million; *or* Balance sheet total > EUR 20 Million **3**. Public Interest Entities: • Listed companies • Credit institutions • Insurance providers **4**. Non-listed *sociétés anonymes* and non-listed investment funds shall comply if they have a net turnover over EUR 100 Million.	**1**. Over 500 employees **2.** Public Interest Entities: • Listed entities • Credit institutions • Insurance undertakings
Matters	• Environmental performance • Social and employee matters • Human rights performance • Corruption and anti-bribery matters	• Environmental performance • Social and employee matters • Human rights performance • Corruption and anti-bribery matters.	• Environmental • Social and employee matters • Respect for human rights • Anti-corruption and bribery matters.
Contents	• A description of the undertaking's business model • Company policies relating to nonfinancial matters, and the outcomes of those policies • Principle risks related to non-financial matters and business activities • Any non-financial KPIs used	• A description of the undertaking's business model • Company policies relating to nonfinancial matters, and the outcomes of those policies • Principle risks related to non-financial matters and business activities • Any non-financial KPIs used	• A description of the undertaking's business model • Company policies relating to nonfinancial matters, and the outcomes of those policies • Principle risks related to non-financial matters and business activities • Any non-financial KPIs used
Presentation	• The management report, or • A separate non-financial report, within 4 months after the balance sheet date	• The annual report within 8 months of the end of the financial year and made available on website for 5 years	• The strategic report
May rely upon	• An international, EU based or national reporting framework • Comply and explain principle • Safe harbour principle • Diversity statement: applies to large listed stock corporations • Auditor's involvement: presence of statement (applicable for the financial year starting on or after 1 January 2019) • Fines: up to the amount, which is the highest of the following: EUR 10 million or 5 % of the total annual turnover of the company or twice the amount of the profits gained or losses avoided because of the breach.	• An international, EU-based, or national reporting framework • Comply and explain principle • Diversity statement • Auditor's involvement: presence of statement and content is required if company has 500+ employees and has a turnover over EUR 100 million or balance sheet over EUR 100 million • Fines: no fine imposed unless an interested party asks for the disclosure of the non-financial information; if it is not available, a judge can impose subsequently financial penalties.	• An international, EU-based or national reporting framework • Comply and explain principle • Safe harbour principle • Diversity statement • Auditor's involvement: presence of statement and consistency check of disclosures as part of the review of the management report • Fines: determined on a case-by case basis and imposed on the responsible persons.
Law	***Law-Bundesanzeiger No.20 vom 18.04.2017***	***Law-L. 225-102-1*** ***Law-R. 225-104/105/105-1/105-2***	***Law-Staturory Instruments 2016 No. 1245***

[10] Based on: Accountancy Europe. (2017). "Member State Implementation of Directive 2014/95/EU A comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information". 20-31.

Appendix 2: Universe and sample of the research

Rank	Company (Ticker-exchange	Headquarters	Accounting Principle	Total Assets (€B)	Sample's Status	Cause of Exclusion
1	HSBC Holdings Plc (HS BA-LON)	U.K.	IFRS	2100.13	Included	
2	BNP Paribas SA (BNP-PAR)[1]	France	IFRS	1963.34	Included	
3	Crédit Agricole Group	France	IFRS	1763.17	Included	
4	Deutsche Bank AG (DBK-ETR)[2]	Germany	IFRS	1470.38	Included	
5	Banco Santander SA (SAN-MAD)[3]	Spain	IFRS	1446.15	Excluded	Country not chosen
6	Barclays Plc (BA RC-LON)	U.K.	IFRS	1275.62	Included	
7	Société Générale SA (GLE-PAR)	France	IFRS	1275.13	Included	
8	Groupe BPCE[4]	France	IFRS	1259.42	Excluded	France has bigger banks
9	Lloyds Banking Group Plc (LLOY-LON)	U.K.	IFRS	914.14	Included	
10	ING Groep NV (INGA-MAS)	Netherlands	IFRS	846.22	Excluded	Country not chosen
11	UniCredit SpA (UCG-MIL)	Italy	IFRS	836.79	Excluded	Country not chosen
12	Royal Bank of Scotland Group Plc (RBS-LON)	U.K.	IFRS	830.78	Excluded	U.K. has bigger banks
13	Intesa Sanpaolo SpA (ISP-MIL)[5]	Italy	IFRS	801.01	Excluded	Country not chosen
14	Crédit Mutuel Group**	France	IFRS	793.45	Excluded	France has bigger banks
15	UBS Group AG (UBSG-SWX)	Switzerland	IFRS	782.45	Excluded	Not part of EU
16	Credit Suisse Group AG (CSGN-SWX)	Switzerland	U.S. GAAP	680.46	Excluded	Not part of EU and not using IFRS
17	Banco Bilbao Vizcaya Argentiria SA (BBVA-MAD)[6]	Spain	IFRS	671.02	Excluded	Country not chosen
18	Rabobank	Netherlands	IFRS	602.99	Excluded	Country not chosen
19	Nordea Bank AB (NDA SEK-OME)	Sweden	IFRS	581.61	Excluded	Country not chosen
20	Standard Chartered Plc (STAN-LON)	U.K.	IFRS	552.56	Excluded	U.K. has bigger banks
21	DZ Bank AG	Germany	IFRS	505.6	Included	
22	Danske Bank A/S (DANSKE-CSE)	Denmark	IFRS	475.39	Excluded	Country not chosen
23	Commerzbank AG (CBK-ETR)	Germany	IFRS	452.49	Included	
24	Cassa depositi e prestiti SpA	Italy	IFRS	419.53	Excluded	Country not chosen
25	PAO Sberbank of Russia (SBER-ME)	Russia	IFRS	392.55	Excluded	Not part of EU
26	ABN AMRO Group NV (ABN-AMS)[1]	Netherlands	IFRS	390.08	Excluded	Country not chosen
27	Caixa Bank SA (CABK-MAD)	Spain	IFRS	383.19	Excluded	Country not chosen
28	KBC Group NV (KBC-BRU)	Belgium	IFRS	292.34	Excluded	Country not chosen
29	Svenska Handelsbanken AB (SHB A-OME)	Sweden	IFRS	281.51	Excluded	Country not chosen
30	DNB ASA (DNB-OSL)	Norway	IFRS	274.52	Excluded	Not part of EU
31	Nationwide Building Society (NBS-LON)	U.K.	IFRS	262.05	Excluded	U.K. has bigger banks
32	Skandinaviska Enskilda Banken AB (SEBA-OME)	Sweden	IFRS	260.41	Excluded	Country not chosen
33	Landesbank Baden-Wurttemberg	Germany	IFRS	238	Excluded	Germany has bigger banks
34	La Banque Postale SA	France	IFRS	231.48	Excluded	France has bigger banks
35	Swedbank AB (SWED A-OME)	Sweden	IFRS	225.11	Excluded	Country not chosen
36	Banco de Sabadell SA (SAB-MAD)	Spain	IFRS	221.35	Excluded	Country not chosen
37	BFA Sociedad Tenedora de Acciones SAL*[7]	Spain	IFRS	221.12	Excluded	Country not chosen
38	Erste Group Bank AG (EBS-WBO)	Austria	IFRS	220.66	Excluded	Country not chosen
39	Bayerische Landesbank	Germany	IFRS	214.52	Excluded	Germany has bigger banks
40	Raiffeisen Gruppe Switzerland	Switzerland	Swiss GAAP	194.6	Excluded	Not part of EU and not using IFRS
41	Nykredit A/S	Denmark	IFRS	191.62	Excluded	Country not chosen
42	JSCVTB Bank (VTBR-LON)	Russia	IFRS	188.36	Excluded	Not part of EU
43	Dexia SA (DEXB-BRU)[8]	Belgium	IFRS	178.85	Excluded	Country not chosen
44	Belfius Banque SA	Belgium	IFRS	167.96	Excluded	Country not chosen
45	Norddeutsche Landesbank Girozentrale*	Germany	IFRS	165.22	Excluded	Germany has bigger banks
46	Banco BPM SpA (BAMI-MIL)	Italy	IFRS	161.21	Excluded	Country not chosen
47	Landesbank Hessen-Thuringen Girozentrale	Germany	IFRS	158.35	Excluded	Germany has bigger banks
48	Zurcher Kantonalbank	Switzerland	Swiss GAAP	140.04	Excluded	Not part of EU and not using IFRS
49	Banca Monte dei Paschi di Siena SpA (BMPS-MIL)	Italy	IFRS	139.15	Excluded	Country not chosen
50	OP Financial Group	Finland	IFRS	137.24	Excluded	Country not chosen

Banks and institutions with significant lending business are ranked by total assets for the most recent period available. Only one institution per corporate structure is included. Rankings account for completed and pending SNL - covered bank deals on a best-efforts basis. Deals, where the assets sold are in excess of €300 million or the deal value is in excess of € 200 million, have been adjusted using the most recent available assets of the target company or the deal completion assets where available. Data reported in native currencies converted to euros using the end-of-period exchange rates. Total assets are as of Dec. 31, 2017, unless stated otherwise.

* Data is of Sept. 30, 2017.

** Data is as of Dec. 31, 2016.

[1] Financial data adjusted for the pending purchase of Luxembourg-based ABN AMRO Bank (Luxembourg) SA, a

[2] Financial data adjusted fot the pending sale of Poland-based private & commercial banking business and brokerage house, DB Securities SA.

[3] Financial data adjusted for the pending sale of U.S. - based TotalBank and pending purchase of Deutsche Bank AG's Poland bases private & commmercial banking and brokerage house, DB Secututues SA.

[4] Financial data adjusted fot the pending sale of Mauritius - based Banque des Mascareignes Ltee.

[5] Financial data adjusted for the pending purchase of Italy- based Banca Nyova SpA.

[6] Financial data adjusted for the pending sale of Chile - based Banco Bilbao Vizcaya Argentaria Chile SA.

[7] Financial data adjusted for the completed purchase of Spain - based Banco Mare Nostrum by Bankia SA, a subsuaduary of BFA Sociedad Tenedora de Acciones SAL.

[8] Financial data adjusted for the completed purchase of Israel- based Dexia Israel Bank Ltd.

The rankings have been created on a best-efforts basis and exclude development banks and entities that act as central banks/banking associations/Supervisors for banking groups.

Source: S&P Global Market Intelligence.

Appendix 3: Size of the largest banks in France, U.K. and Germany

Country Selec-ted	Total Assets of each country from the 50 largest banks in Eu-rope's List (€B)	Total Assets of the three largest Banks (€B)	% of Total Assets from the 3 Biggest Banks
France	7285,99	5001,64	69%
U.K.	5935,28	4289,89	72%
Germany	3204,56	2428,47	76%
Total	16425,83	11720	71%

Appendix 4: Final Results from the Data Collected

Bank	Country	Year	Framework used to disclosure	Compliance Level	Understandabil-ity Level	Ratio between NFI and total #pages
HSBC Holdings Plc	U.K.	2013	Integrated Report	46%	60%	15%
HSBC Holdings Plc	U.K.	2014	Integrated Report	64%	65%	15%
HSBC Holdings Plc	U.K.	2015	Integrated Report	75%	65%	27%
HSBC Holdings Plc	U.K.	2016	Integrated Report	93%	65%	26%
HSBC Holdings Plc	U.K.	2017	Integrated Report	86%	65%	28%
BNP Paribas SA	France	2013	Integrated Report	39%	50%	31%
BNP Paribas SA	France	2014	Integrated Report	46%	50%	31%
BNP Paribas SA	France	2015	Integrated Report	46%	50%	36%
BNP Paribas SA	France	2016	Integrated Report	50%	50%	33%
BNP Paribas SA	France	2017	Integrated Report	54%	50%	32%
Deutsche Bank AG	Germany	2013	Separate Report	57%	60%	19%
Deutsche Bank AG	Germany	2014	Separate Report	68%	65%	16%
Deutsche Bank AG	Germany	2015	Separate Report	75%	65%	21%
Deutsche Bank AG	Germany	2016	Separate Report	75%	65%	20%
Deutsche Bank AG	Germany	2017	Separate Report	79%	75%	21%
Barclays Plc	U.K.	2013	Integrated Report	43%	70%	26%
Barclays Plc	U.K.	2014	Integrated Report	50%	75%	30%
Barclays Plc	U.K.	2015	Integrated Report	50%	70%	25%
Barclays Plc	U.K.	2016	Integrated Report	46%	60%	24%
Barclays Plc	U.K.	2017	Integrated Report	54%	60%	25%
Société Générale SA	France	2013	Integrated Report	46%	65%	27%
Société Générale SA	France	2014	Integrated Report	46%	65%	24%
Société Générale SA	France	2015	Integrated Report	61%	65%	31%
Société Générale SA	France	2016	Integrated Report	68%	65%	26%

Appendix 4: Final Results from the Data Collected (Continuation)

Bank	Country	Year	Framework used to disclosure	Compliance Level	Understandability Level	Ratio between NFI and total #pages
Société Générale SA	France	2017	Integrated Report	75%	65%	27%
Lloyds Banking Group Plc	U.K.	2013	Integrated Report	57%	65%	14%
Lloyds Banking Group Plc	U.K.	2014	Integrated Report	61%	65%	24%
Lloyds Banking Group Plc	U.K.	2015	Integrated Report	71%	70%	28%
Lloyds Banking Group Plc	U.K.	2016	Integrated Report	68%	70%	19%
Lloyds Banking Group Plc	U.K.	2017	Integrated Report	68%	70%	26%
DZ Bank AG	Germany	2013	Integrated Report	46%	50%	20%
DZ Bank AG	Germany	2014	Integrated Report	46%	50%	14%
DZ Bank AG	Germany	2015	Integrated Report	46%	50%	10%
DZ Bank AG	Germany	2016	Integrated Report	39%	50%	14%
DZ Bank AG	Germany	2017	Integrated Report	46%	50%	10%
Commerzbank AG	Germany	2013	Integrated Report	54%	65%	14%
Commerzbank AG	Germany	2014	Integrated Report	54%	65%	16%
Commerzbank AG	Germany	2015	Integrated Report	54%	60%	17%
Commerzbank AG	Germany	2016	Integrated Report	61%	60%	14%
Commerzbank AG	Germany	2017	Integrated Report	61%	60%	16%

Appendix 5: Grids for Compliance Level

A brief description of the group's business model;	**Max of 9 points**
Clear description regarding the organization name	0/1
Clear description regarding the headquarters	0/1
Clear identification of the core markets	0/1
Clear identification of the number of employees	0/1
Clear identification of the profit	0/1
Diagram highlighting key elements regarding the business	0/1
Description of the macro environment	0/1
Description of the internal environment	0/1
Management declaration on the sustainability of the company	0/1

A description of the policies pursued by the group in relation to those matters, including due diligence processes implemented;	**Max of 6 points**
Identify the current policies in what concerns AML;	0/1
Identify sanctions and concerns	0/1
Identify processes to address the policies (AML)	0/1
Reference to specific rules and standards concerning AML	0/1
Identification of subjects and committees responsible for decision-making on sustainability policy	0/1
Identify short and long objectives	0/1

The outcome of those policies;	**Max of 5 points**
First-time adoption or revision of sustainability policy	0/1
Compare the results with the target	0/1
Compare the results with the previous period	0/1
Analyzes the evolution / impact of the results achieved	0/1
Entities affected by AML policy (within the bank)	0/1

Non-financial Risks;	**Max of 4 points**
Explanation of the risks	0/1
Governance and structure	0/1
Role of the board and other company bodies in risk management	0/1
Business risk appetite	0/1

KPI	**Max of 3 points**
Mention of any non-financial performance indicators regarding AML	0/1
Mention of risk indicators	0/1
Identifies the results & progress achieved by AML policies	0/1

Appendix 6: Understandability Level

Topics	Score (*)
The report contains the level of information required by stakeholders but avoids excessive and unnecessary detail.	0/1/2/3/4/5
The report is Reader-Friendly: diagrams, quick overview about the topic tables and glossary.	0/1/2/3/4/5
The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders.	0/1/2/3/4/5
The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis	0/1/2/3/4/5

(*)

1 = strongly disagree
2 = disagree
3 = neutral
4 = agree
5 = strongly agree

Appendix 7: Length in Pages of Non-Financial Information in the Annual Report

	2013	2014	2015	2016	2017	Total	Stand.Deviat.
Barclays Plc	114	103	88	92	81	478	12
BNP Paribas SA	142	156	197	184	183	862	20
Commerzbank AG	47	57	60	45	49	258	6
Deutsche Bank AG (*)	106	98	93	95	88	480	6
DZ Bank AG	75	56	44	33	38	246	15
HSBC Holdings Plc	88	75	138	75	78	454	24
Lloyds Banking Group Plc	56	82	87	66	72	363	11
Société Générale SA	132	135	152	138	153	710	9
Total	**654**	**664**	**766**	**633**	**654**	**3371**	**47**

(*) taking in consideration that Deutsche Bank has a Separate Report in what regards Non-financial information.

Appendix 8: Length in Pages of the Annual Report

	2013	2014	2015	2016	2017	Total	Stand.Deviat.
Barclays Plc	436	348	356	380	328	1848	37
BNP Paribas SA	455	508	540	551	580	2634	43
Commerzbank AG	345	347	351	324	316	1683	14
Deutsche Bank AG	572	610	448	478	412	2520	75
DZ Bank AG	372	408	420	242	388	1830	64
HSBC Holdings Plc	598	488	502	286	274	2148	128
Lloyds Banking Group Plc	396	348	311	348	278	1681	40
Société Générale SA	486	573	495	532	566	2652	36
Total	**3660**	**3630**	**3423**	**3141**	**3142**	**16996**	**226**