The VEB has suggestions to improve the current code; it is time to name and shame

The VEB has made the following suggestions to the new committee with regard to improving compliance with the corporate governance code:

Naming and shaming
1. The new commission should seriously consider naming companies in its annual report if they consistently ignore the provisions of the code without giving a properly motivated explanation.

The commission has threatened to name and shame offenders but has not yet done so.

Strategy
2. The code should include greater reference to corporate strategy.

This part of the annual report is often little more than a page. However, it is essentialinvestors know what the long-term targets of a company are and how it plans to achieve them.

Audit
3. The audit committee report includes a description of the items the audit committee has considered while assessing the annual accounts, and discusses the most important points made by the external auditor in the management letter.

If the management letter does not include any issues the accountant considers to be significant, this should also be confirmed in the supervisory board report.

Scandals like those involving SNS Reaal, Imtech and Brunel show that it is impossible for investors to make a proper assessment of the risks inherent in an investment if they are not given proper information about the financials.

Remuneration
4. Companies should give supporting information to explain the size of a bonus in terms of realised or unrealised targets.

If the supervisory board has used its discretionary right to amend bonuses, its motivation for this and the financial consequences should be explained.

Last year, for example, this was not explained fully at KPN. Special payments which fall outside the regular remuneration package - such as a welcome bonus, departure bonus or takeover bonus – should also be approved separately by shareholders.

Supervisory board members
5. The supervisory board report should not only justify the board's performance but should note the conclusions which can be drawn from this self-evaluation and the issues that need to be followed up.

In addition, companies should make the attendance record of individual board members public.

time, accountants were under fire following the sudden bankruptcies of Van der Moolen and InnoConcepts - among other failings.

In the letter, the VEB asked the accountants to inform investors in more depth about their way of working, noteworthy issues which had arisen and the most important recommendations made to both management and supervisory boards, such as in relation to IT systems and internal checks and balances.

Just weeks after the letter was sent, new developments at SNS Reaal and Imtech showed the implications of the lack of information. The companies collapsed while the accountants hid behind the concept of confidentiality, rather than sharing information with investors.

This year we are again sending a letter to company accountants. The letter demands the accountant provides investors with a company-specific glimpse into how he or she carried out the controls and any risks deemed worthy of note. Specifically, we believe this more extensive audit