



## 3. Report on the Business Year 2013/2014

Dear friends:

Like every year, I have the pleasure to present the summary of the EFFAS activities for the year 2013 since our last Annual General Assembly (AGM) held in Cascais Portugal in June 2013.

Several new activities have been developed directly from our main office<sup>1</sup>, sometimes in collaboration with our National Members Societies (NMS), or by the various working groups that make up our EFFAS Commissions.

Today, EFFAS is composed of twenty-six NMS<sup>2</sup>, representing more than 18,000 financial analysts and investment professionals in Europe. All EFFAS NMS are represented in our Annual General Meeting that has been traditionally held in the last week of June.

Following our Strategic Plan approved by you all in June 2012, last year the EFFAS Executive Management Committee (EMC) has continued working to promote the image of EFFAS not only as a centre for reflection and a think tank, but also as a working and discussion forum for qualified professionals and researchers, and finally, but not less important, as an international reference in the training and qualification of investment professionals.

To our great satisfaction we may present the activities of our working committees, which have undoubtedly contributed to encouraging research and independent opinions on Economy, Finance and Financial Markets with the ultimate goal of setting necessary standards for the finance industry. In this sense, our Commissions allow EFFAS to share our views with the economic, regulatory and financial authorities all over Europe in order to facilitate the modernization and best knowledge of capital markets.

On behalf of the EMC members, I especially appreciate the efforts of those who work daily to make these EFFAS achievements possible, year after year. More detail on this is to be found in this Business report. As EFFAS Chairman I remain at your disposal to receive your comments, ideas or suggestions as well as constructive criticism when it seems that something is not working as it should be.

Finally, I also wish to thank all the Chairmen of the EFFAS NMS for your support and interest in promoting the reflection and value creation of our European Federation. I would also like to express our gratitude and recognition to all professionals and authorities who have supported EFFAS with their presence at several events, reports and programs.

Jesús L. Zaballos  
EFFAS Chairman

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<sup>1</sup> In Frankfurt am Main.

<sup>2</sup> Having suffered in late 2013 loss of one of our members, the Swiss Association.



## EFFAS governance

The two executive bodies of EFFAS are the AGM and the EMC. The AGM is composed of the authorised representatives of the NMS. The EMC is responsible for the day-to-day management of the Association, as well as supporting the Chairman in his daily work.

Following the 2013 elections by the AGM, the EMC consists of the Chairman, the Deputy Chairman and four other members. The present EMC members are:

**EFFAS Executive Management Committee (EMC)**

<b>Chairman</b>	Jesús López Zaballos	(IEAF, Spain)
<b>Deputy Chairman</b>	Friederich Mostböck	(ÖVFA, Austria)
<b>Members</b>	Frank Klein	(DVFA, Germany)
	Hans Buysse	(ABAF-BVFA, Belgium)
	Jean-Baptiste Bellon	(SFAF, France)
	Chris Golden	(SFAA, Switzerland)

In 2013/2014, the EMC members were constantly in touch and formally met four times (Amsterdam, London, Budapest and Paris). EFFAS was also represented by the EMC members at the ACIIA, GIPS, ECMI, EFRAG and XBRL meetings, and at several conferences and seminars in Europe and South America.

This year a new EFFAS Charter was approved by the extraordinary AGM in writing on the 11<sup>th</sup> April 2014. Necessary changes were made to improve the governance within EFFAS. Below are, as a reminder, the main changes approved as well as their motivation.

<b>Change approved in the Charter</b>	<b>Main objective</b>
8 (4). If elections are on the AGM agenda, members are to be requested in writing <u>six weeks before the invitation</u> to the general meeting at the latest to nominate candidates.	Give enough time for a fair elections procedure and adequate corporate governance.
9 (1). The EMC consists of the Chairman, the Deputy Chairman and <u>up to a maximum of six other members</u> .	Increase the participation of different NMS by covering and understanding better the NMS' needs/requests.
9 (7). The Chairman of EFFAS will be elected by the general meeting of members for a period of three years. The other members of the EMC will also be elected by the general meeting of members for a period of three years.	Increase of the Chairmanship term is to give more stability and enough time to carry out his/her aims and objectives.
9 (7). If a member of EMC ceases to be a board member of an ordinary member society or to hold another official executive function that EMC member is obliged to step down from the EMC.	Ensure the representativeness of the NMS.



## EFFAS Office Functioning

During the last quarter of 2013 we have worked to complete the process of relocation of the ACIIA office from Zürich into our EFFAS Frankfurt Office. The EMC thanks Hans Buysse for the work done and the time spent on the various meetings in Frankfurt and Madrid during these months, which have allowed establishing the process of organization and professional functioning of the EFFAS office from now on. We also want to show our appreciation to the German Association, DVFA, for facilitating the logistic process of adaptation of the new facilities.

Currently, Laura Compte (Finance and Control) and Giovanna Scarfo (Promotion and Marketing) are the staff of EFFAS. They report to Hans Buysse as Treasurer and Office Manager for our association and they replace Mrs Stinnes and Mrs Tubeileh. The EMC wants to thank them for the work done and wish them all the best in their new professional development.

## EFFAS Commissions Activities

### ✓ EFFAS Commission Environmental Social and Governance (CESG)

In the past year 2013 the EFFAS and CESG moved ahead on the EFFAS ESG Training Program, based on an idea of late 2012. Thanks to the work done by the project manager Ralf Frank (Secretary General from DVFA and Co-Chair of CESG) this program has now become reality.

Academic contributors on EFFAS ESG Training Programme are:

- Alexander Bassen, Chair and Academic Director of the program. Professor of capital markets and management at the University of Hamburg (Germany), Faculty of Business, Economics and Social Science.
- Gunnar Friede, Senior Fund Manager and Director, DWS Investments (now Deutsche Bank Asset and Wealth Management).
- René Nicolodi, Head of the Sustainable & Thematic Investment Department, Asset Management of Zurich Kantonalbank (ZKB), Switzerland.
- Felix Schnella, Senior Portfolio Manager at Ökoworld Lux S.A.
- Hendrik Garz Managing Director Research, Sustainalytics/ Germany.

This programme aims at overcoming the barriers of integrating ESG in mainstream investment decisions. According to the World Economic Forum this is evidenced by the insufficient education and lack of valuation models in this regard. The EFFAS ESG Valuation, Measurement & Integration Training Program delivers exactly the fundamentals of ESG investment analysis and modelling. The program's objective is to support mainstream and sustainability investment professionals in measuring and integrating ESG in investment processes and providing them with a better understanding of the value drivers of different assets.

The whole program was finally ratified in writing by all the EFFAS NMS in April 2014. The first ESG Seminars in 2014 were conducted by DVFA in Frankfurt and by IEAF in Madrid.

This great work done by the commission complements the work started years ago with the creating of the EFFAS ESG Key Performance Indicators and the ESG Taking into account Conferences.



The objective of the EFFAS KPIs for ESG is to propose the basis for the integration of ESG data into corporate performance reporting. To this end, KPIs for ESG set out overall requirements for the presentation of ESG reports, guidelines for the presentation and structure as well as minimum requirements for content to be disclosed. These KPIs for ESG apply to profit-oriented entities. While the framework is suitable for all entities regardless of size, scope and legal form it has been specifically designed for stock-listed companies and issuers of bonds.

Regarding the "EFFAS ESG Taking into account Conference", I am proud to say that this has become the biggest European event covering ESG topics in the mainstream of capital markets and companies. The aim of the conference is to provide insight into ongoing developments in the arena of ESG but also give companies the opportunity to present their efforts and successes of embedding ESG into corporate strategy.

A clear example of our leadership position in the ESG issues has been our participation on 29 May 2014 in the 1<sup>st</sup> LATAM ESG Conference in Sao Paulo (Brazil). This event was very much recognized from local market participants and is an example of a successful cooperation between the Brazilian society APIMEC and EFFAS. Topics were amongst others "Challenges of Integrated Analysis in Latin America", "Incorporating Environmental Factors, Governance and Social Analysis of Investments", "Challenges and Necessary Transformations", "Best Practices for Evaluation, Measurement and Integrated Reporting", etc. The CEO of the Brazilian stock exchange BM&F Bovespa opened the event and approximately 250 people joined the conference during the day. Other representatives came from Brazilian large caps (Petros/ Petrobras, Bradesco, Bank Itau, etc.) and foreign institutions (UNPRI, KPMG, etc.). EFFAS representatives and presenters were our chairman Jesús López Zaballos, deputy chairman Fritz Mostboeck, René Nicolodi/Switzerland and José Luis Blasco Vazquez/Spain.

#### ✓ **EFFAS Financial Accounting Commission (FAC)**

In the past 12 months FAC worked on issues related to IFRS (international financial reporting standards) such as *Leasing, the Conceptual Framework and Business Combinations*.

Regarding *Business Combinations* the Commission has and continues to work closely with EFRAG in formulating a questionnaire to be used as a basis for reviewing the *IFRS-3 Post-implementation Review*. Up to 20 companies from different sectors are under review and meetings with sector analysts have been held. The EMC wants to thank the analysts from Austria, Belgium, Croatia, Germany, Hungary, Italy, Portugal, Serbia and Spain involved in this project during last months.

Moreover, an outreach meeting was organized on April 1, 2014 in Brussels with EFRAG and the IASB to have a broadened participation of analysts and investors on the standards. Their views will contribute to formulating financial reporting standards.



In April the Commission met in London with Hans Hoogervorst, IASB Chairman, and several board members to review several financial reporting issues. At the meeting it was discussed with IASB technical staff the commission position on *Business Combinations* particularly related to the renewed discussion between amortization and non-amortization arising from business consolidation. IASB posted a document for comments.

Additionally, members continued participating in EFRAG TEG and Users' Panel group.

The Summary of papers is as follows:

<u>Institution</u>	<u>Submission Date</u>	<u>Title</u>
IASB - International Accounting Standard Board	August 13 -2013	Leasing ED 9/2013
EFRAG - European Financial Reporting Advisory Group	April 1-2014	Questionnaire <i>IFR-3 Business Combination PiR</i>
IASB - International Accounting Standard Board	April 4-2013	IFRS-3 Business Combinations Disclosures
IASB - International Accounting Standard Board	May 30 -2014	IFRS-3 Business Combinations <i>PIR- Comments</i>

#### ✓ **EFFAS Training and Qualification Commission (TQC)**

During the past year the Commission held one meeting in October 2013 in Belgium and another one in February 2014 in Frankfurt. The work done by the TQC has helped to launch two strategic projects that are configured as basic pillars to boost activity for EFFAS as internationally recognized certification centre: the CEFA Common Exams and the EFFAS e-learning platform.

Following the request of the EFFAS NMS, and after consultations with the EFFAS TQC Commission, the EMC has decided to establish, from June 2014, the mechanism for setting a common examination for our CEFA Diploma. In this sense, EFFAS will organize two examination sessions per year (April and November).

This project covers several objectives simultaneously: 1. Increase the actual number of CEFA Diplomas. 2. Increase EFFAS visibility as a certification centre and 3. Helping NMS, by providing more flexible and economically up-to-date exams.

At present the number of graduates CEFA reaches more than 14.000, with an average of 300 new graduates per year.

Regarding the EFFAS e-learnig platform, to complete the training, and in order to guide and support the student in the preparation of examinations for the EFFAS Diplomas and for the EFFAS Certified Diplomas, EFFAS provides the student with this platform, a tool that allows in a comfortable and



dynamic way to follow through the web his period of study as well as self-assess the knowledge acquired.

Initially the platform allows students to enrol both for the CIIA Diploma, through the CEFA route, and for the EFFAS ESG Certified Diploma. The entire process of registration of students will be done through their National Association.

In addition to these major projects, the TQC has been working during the first half of 2014 with the Chartered Institute for Securities & Investment (CISI) to establish forms of collaboration that enable our NMS start training for preparing the certification exams that currently offers our British partner.

Other on-going projects that the Commission supports include the organization of the EFFAS Summer School, held every year in Banco Santander Financial City in Madrid, as well as the organisation of the EFFAS Seminar series.

#### ✓ **EFFAS European Bond Commission (EBC)**

In October 2013 the EBC organized in London an EFFAS Conference on Long Term an sustainable finance. The conference opened with a short introduction & welcome from Neil Brown of CISI who introduced the first speaker Mirzha De Manuel, CEPS ECMI Associate Research Fellow whose subject was "Saving for Retirement and Investing for Growth".

There followed a presentation from Eva Rømer of the European Commission & her chosen topic was "Long-term investing". The next speaker was Dr Barbara Weber, Founding Partner of B Capital Partners who spoke on "Infrastructure – benchmarking and relative riskiness". Michael Wilshire of Bloomberg then gave his presentation entitled "New Energy Finance", followed by Graham Bishop, member of the European Commission Expert Group on Debt Redemption Funds and Eurobills whose theme was "Temporary Eurobill Fund (TEF)". The last presentation of the day came from Professor Michael Mainelli who spoke on "How To Make Voluntary Standards Markets Work For Financial Services Regulation".

The next meeting is scheduled to take place in Madrid in the second half of 2014.

#### ✓ **EFFAS Seminars and conferences**

##### ▪ **ESG Seminar in Amsterdam (September 18<sup>th</sup>, 2013), in conjunction with the Dutch Society VBA.**

The joint seminar between EFFAS and VBA was held at the Congress Centre "Rosarium" in Amsterdam. This seminar was focused on essential topics in ESG-Based investment decision-making. Discussions about active versus passive sustainable investing is important at the moment and shows the progress that ESG has made in the investment industry. Also the EFFAS representative had the opportunity to explain the EFFAS work on enhancing ESG modelling and integration ESG into valuation which is the core of its ESG Valuation, Measurement & Integration Seminar to be launched.

This seminar was moderated by Frank Klein, EFFAS EMC member, and counted on important speakers such as David Richert (Investment Consultant Mercer Investments), Masja Zandbergern-



Albers (Team manager Equities Syntrus Achmea), Berrie Verwey (Senior Account Manager F&C Netherlands) and Paul Broholm (Managing Director Theodoor Gilissen Bankiers) .

About 60 financial professionals attended the seminar organised by EFFAS and VBA, including some members of the VBA Board. Especially relevant was the subsequent conversation between the speakers and the audience, which confirms the interest of Dutch executives in ESG aspects.

▪ **Seminar “CEFA Alumni” in Budapest (March 13<sup>th</sup>, 2014), in conjunction with the Hungarian Society HCMP.**

Jesús López Zaballos, EFFAS Chairman and E.S. Misik (CEFA/CIIA holder from HCMP) were the speakers and had the opportunity to talk about the EFFAS future projects, the general experience and history of the cooperation with ACIIA member societies and the future of the CIIA Diploma. Also Professor Janos , HCMP Chairman, presented the new project for certification quantitative analyst in which the Hungarian association is working.

▪ **EFFAS- EFRAG-IASB Seminars**

Since transparency of information becomes more and more important, EFFAS has decided to spend more time on joint seminars on reporting issues. Together with EFRAG, the European Financial Reporting Advisory Group in Brussels, and the Belgian Association of Financial Analysts, 3 seminars are organised in Brussels.

As mentioned before the first one was on April 1, 2014 and was a joined outreach event on "Do you need better information on the accounting for business combinations under IFRS. Over 40 finance professionals joined the seminar.

On June 25 a second event is being organised in Brussels. ACIIA, EFFAS, ABAF, EFRAG and the IASB invite all of you to participate in a round table discussion on recent developments in relation to International Financial Reporting Standards (IFRS).

Taking place on 25 June in Brussels, the round table will be moderated by Hans Buysse, member of the EFFAS Executive Management Committee, and will feature Hans Hoogervorst, Chairman of the IASB; Olivier Guersent for the European Commission; Françoise Flores, EFRAG Chairman; and Jesús López Zaballos, EFFAS Chairman.

Topics to be discussed include:

- financial reporting and long-term investment;
- financial reporting post the financial crisis;
- the role of financial reporting in financial stability and economic growth;
- investors’ involvement in the development of IFRS; and
- investors’ confidence in financial reporting.



Finally on July 7 a joined Macro Hedging users outreach is organised in Brussels featuring several international speakers such as EFRAG Chairman Françoise Flores, Giuseppe Loforese, Head of ALM, Intesa Sanpaolo, Italian representative on EBF ALM Working Group, Jean Baptiste Bellon, banking analyst and EFFAS Executive Management Committee, Jean- Michel Pinton, Director Group Accounting, CNP Assurances and member EFRAG Insurance Accounting Working Group and Roman Sauer, Head of Accounting Policy, Allianz, Carsten Zielke, insurance analyst, Vice-Chairman of the EFRAG User Panel and former EFRAG TEG member and finally Martin Edelmann, IASB Member.

- **EFFAS-APIMEC 1<sup>st</sup> LATAM ESG Conference in Sao Paulo (May 29<sup>th</sup>, 2014)**

This event was very much recognized from local market participants and is an example of a successful cooperation between the Brazilian society (APIMEC) and EFFAS. Topics were amongst others “Challenges of Integrated Analysis in Latin America”, “Incorporating Environmental Factors, Governance and Social Analysis of Investments”, “Challenges and Necessary Transformations”, “Best Practices for Evaluation, Measurement and Integrated Reporting”, etc.

The CEO of the Brazilian stock exchange BM&F Bovespa opened the event and approximately 250 people joined the conference during the day. Other representatives came from Brazilian large caps (Petros/ Petrobras, Bradesco, Bank Itau, etc.) and foreign institutions (UNPRI, KPMG, etc.). EFFAS representatives and presenters were our chairman Jesús López Zaballos, deputy chairman Fritz Mostboeck, René Nicolodi (Switzerland) and José Luis Blasco Vazquez (Spain).

- ✓ **CEFA Reaccreditation process**

The Certified European Financial Analysts (CEFA) diploma is the European diploma with an EFFAS brand name. As stipulated in the Governance Model, the CEFA became subject to agreed quality control procedures. Given its recognition by the market, further societies are looking into accrediting their programme in accordance with the requested conditions.

In 2014 the French, German, Italian and Spanish societies will need to reaccredit.

- ✓ **CEFA Scholarships and Grants**

In September 2013, the EMC decided to create the EFFAS Scholarship and Grants Committee, consisting of the TQC Chairman, the TQC Deputy Chairman and the EFFAS academic advisor. The Chairman of this Committee will be the Chairman of the TQC. The work of this Committee is reviewing applications and recommending to EMC those ones they consider that meet the required conditions. The final decision of its awarding will be taken by the EMC.



Full information was sent to the NMS (including schedule and process to follow). This information is also available on the EFFAS website officially. The amount allocated for 2014 amounts to a maximum of 10,000 Euros.

In 2014 the EFFAS office received applications from Turkey and Rumania.

#### ✓ **EFFAS Summer School.**

The sixth EFFAS Summer School editions (2008-2013) have been great successes and helped EFFAS to gain more recognition, not just in the areas of training and qualification but also as an international networking platform for investment professionals.

Again in 2013, with the sponsorship of Banco Santander, entitled CEFA, CIIA and other financial analysts in Europe, Africa, Asia and America have been enjoying the superb facilities of Financial Majadahonda City, venue for this event. About 200 people from 27 countries attended this international debate, one of the most important of its kind worldwide. Corporate Finance, Portfolio Management, Analysis and Evaluation of Fixed Income, Derivatives, Equities or Financial Accounting - - For three days workshops and plenary sessions led by specialists in different subjects were made to participate actively in the resolution of same. In addition, attendees had the opportunity to hear from top level speakers who gave talks and conferences scheduled (see program attached).

#### ✓ **EFFAS institutional relations**

Thanks to the work of our delegates and representatives EFFAS continued doing excellent work in different entities as GIPS, XBRL, ECMI, EFRAG, WICI and ACIIA. Undoubtedly, these activities allow us to position ourselves as European representative of investment professionals.

To increase the visibility of EFFAS in the EU in September 24<sup>th</sup> Jesus López Zaballos and Hans Buysse represent EFFAS in the EU Finance Day for SMEs, 2013-14, a European Forum organized by the Directorate-General for Enterprise and Industry in Brussels. This invitation is a result of the discussions that our Chairman together with our Deputy Chairman had on their visit to that Directorate-General in May 2013.

In March 2013 Michel Barnier mandated Philippe Maystadt to examine ways of reinforcing the EU's contribution to International Financial Reporting Standards (IFRS) and improving the governance of the European bodies involved in developing these standards.

Mr Maystadt's report is part of a broader debate on accounting standards, which also takes into consideration international developments in this field and the revision of the Regulation on the application of the IFRS, planned for the end of 2014.

Mr Maystadt held a series of interviews and consultations before drafting his report, which he presented to Finance Ministers at the ECOFIN Council meeting on 12 November 2013. EFFAS as representative for the "users of financial information" was invited to hold several meetings in Brussels with Mr Maystadt on this topic. We want to thank Javier de Frutos and Jacques de Grelin (FAC Commission) for their efforts and continued support to the EMC during these negotiations.



In his report, Mr Maystadt recommended reorganising the current EFRAG to increase its legitimacy and representativeness with a view to strengthening the European Union's influence in international accounting standard-setting. The report presents the main premises for the reorganisation of EFRAG, however, the detailed implementation of the necessary reforms will require significant co-ordinated efforts from a number of public and private organisations involved in the process. The current mission of Mr Maystadt ensures the reforms will be carried out properly and without delay.

Within this context, EFFAS has decided to become a member of EFRAG again and increase its visibility within the EU context as representative of the users of financial and non financial information.

### ✓ **EFFAS Promotion and marketing**

Since January 2014 we have started the development of the new EFFAS newsletter electronically. In Social Media, EFFAS has now different channels in Twitter, LinkedIn and Facebook.

These are some of the communication tools that the EMC has decided to launch a consequence of the new strategy for the promotion and marketing. Since September 2013 the EMC members focus their efforts on three main activities:

1. Promoting the brand image of EFFAS and the activities of our Commissions.
2. Strengthening communication channels and closeness between EFFAS associations, third parties, financial authorities and institutions, and between CEFA/CIIA Diploma holders from different continents and
3. Presenting a modern image, adapted to the new trends and the current demand from young professionals who may be interested in obtaining our Diplomas.

We firmly believe that these tools must be focused on achieving, in the immediate future, that EFFAS:

- a) becomes a meeting point for professionals in the capital markets and particularly financial analysis, providing a permanent forum for discussion and analysis of financial topics.
- b) be a clear reference and magnet for other groups and collectives that have direct and indirect relationship with the field of financial analysis and related activities (issuers, journalists, academics, regulators, auditors, consultants, etc.) .
- c) be a meeting and dissemination point of scientific information derived from studies on the activity of the Studies Services of our members.
- d) be a conduit for the dissemination and introduction of issues related to Ethic, professional conduct, market transparency, etc.
- e) be a distribution centre of on- line courses or seminars via web -conference to provide the training and access to knowledge and to a better understanding of financial markets.
- f) generates databases relating to financial markets, companies, investors and analysts.

Our Newsletters use a web form template which will be easy to view on any mobile device. Hyperlinks with relevant hints will enable the reader to choose which information he wants to continue reading. The email newsletter will be disseminated to the Member Societies and to relevant European organisations. Member Societies will be encouraged to submit interesting and relevant articles, as well as brief news items.



The project to update the EFFAS Website was approved and started in the first quarter of 2014. The aim of this project is to use the website as a tool of promoting EFFAS activities and designation as well as helping NMS and further members to use it and find out what it is needed. Inputs and suggestions from the EFFAS Member Societies is an on-going process with the aim of further providing a robust platform on which the Member Societies can exchange information.

Moreover a Calendar of the EFFAS Events is maintained and updated on a regular basis by the EFFAS Office. Member Societies are encouraged to send in dates of their important events that may also be attended by other European Member Societies. Finally, the EFFAS Directory 2014, available in our web, updated all the addresses of the Member Societies, including the names of their board members and representatives in EFFAS. The EFFAS Directory is to be updated on a yearly basis and will be available before each AGM in June.