Global investor survey on corporate reporting
Investors say the quality of reporting is key to their investment analysis

My perception of the quality of a company’s reporting impacts my perception of the quality of its management.

“Corporate reporting says something about management’s character. It will tell if they’re trying to window dress, if they’re on top of a problem or ignoring it.”

“If the quality of corporate reporting is poor, management is poor as well. In contrast, excellent reporting does not guarantee that management is excellent. High quality in corporate reporting is a necessary condition but it is not a sufficient condition [on its own].”

“It’s a major factor in judging quality of management and poor reporting could also be a reason not to invest in a company, despite it having an attractive share price.”

“It of course affects the perception of management, but it is just one aspect of assessing management quality. It is the numbers, transparency, structure of reporting and also how the news flow through the numbers is handled.”

“You can’t deny that a basic set of statutory accounts combined with a set of director’s reports are critical in the investment process.”

Note: The results show the % of respondents answering agree or strongly agree.
Investors feel companies could improve their reporting

I believe that companies do a good job of explaining their business models and how they make money.

African investors are less positive with 29% saying that companies do a good job of explaining their business model.
I believe that companies do a good job in linking strategic goals, risks, key performance indicators and financial statements.

North American investors are less positive with 25% saying that companies do a good job of linking their strategic goals, risks, KPIs and financial statements.

“Africa investors are less positive with 17% thinking that companies are sufficiently transparent about the metrics they use internally, whereas 39% of Asia Pacific investors agree with the statement.

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I believe management is sufficiently transparent about the metrics they use internally to plan and manage their business.

“Africa investors are less positive with 25% saying that companies do a good job of linking their strategic goals, risks, KPIs and financial statements.

I have enough trust in the information companies report on strategic goals, risks and key performance indicators for me to be confident in my analysis and decision making.

“Companies that can describe the business in a good, reliable way quarter by quarter and show how the annual report fits in, that’s valuable. It creates trust.”
Investors rank non-GAAP as a key area needing improvement

Q: What is the area of reporting that you think companies most urgently need to improve?

Results are based on the frequency of which the area was mentioned in the interviews

1. **Non-GAAP (Generally Accepted Accounting Principles) reporting**
   - Investors like to hear from companies, but their preferred frequency of reporting varies
   - “We are probably most interested in seeing a little more interrogation and questioning on non-GAAP measures. Specific concerns are mainly around the definition of non-recurring items.”
   - “While companies have started to disclose more non-financial information, there are some issues with comparability and what’s relevant to the company. I expect there will be some improvement in this area.”

2. **Environmental, social and governance disclosures**
   - “Companies should be much clearer in assessing materiality – what’s important and what’s not – including in communicating negative trends.”
   - “Generally you would get a different picture after talking to management than you do reading their reports.”

3. **Quality and clarity of disclosures**
   - “Quarterly reporting may be useful not to understand financial performance but more to understand how companies are changing strategy or corporate structure in order to adjust to the changing environments.”
   - “Companies should be much clearer in assessing materiality – what’s important and what’s not – including in communicating negative trends.”

Investors like companies to report full financial statements and other quantitative information regularly. But they’d like companies to report qualitative information less often, unless something changes in the business.

“I’m positive with regards to the frequent reporting. Investors need regular reporting, which brings more transparency.”

“Among the sell side analysts, there are those who earn fees from writing quarterly analyst reports and those who do not. Personally, I think quarterly disclosure can be voluntary.”

“Quarterly reporting may be useful not to understand financial performance but more to understand how companies are changing strategy or corporate structure in order to adjust to the changing environments.”

Note: Quantitative information includes summary financial information, earnings calls, management commentary on financial performance, earnings forecast or guidance, and KPIs. Qualitative information includes description of business model, risks and mitigation strategies, and updates on strategic plans and progress.
Methodology

For the 2017 Investor Survey on Corporate Reporting, we obtained feedback from 554 investment professionals that responded to an online survey running from 17 November 2016 to 16 December 2016. We also conducted in-depth interviews with 38 individuals from a range of regions between November 2016 and January 2017.

Where we have included a geographic breakdown, the analysis is based on where the investment professionals are based.

The results show, unless otherwise stated, the % of respondents who agree or strongly agree with the statement about corporate reporting.

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