

The Investors' perspective

Talking points for episode 140



The top priorities for investors in 2023 include:

- the impact of volatility in current economic conditions on businesses, including the impact on supply chains, on financial reporting;
- the consultation on proposed changes to financial reporting standards, for example IAS 12 amendments on effective tax rates and the tax to be paid;
- dynamism in financial statement footnotes which refers to an increased focus on disclosures which may have had less focus in the prior years, such as, disclosures on pensions, share based payments and foreign exchange differences; and
- a continued interest in sustainability related reporting (Refer to [EP139](#)). In particular the need to consider the impact of underlying issues on financial reporting, such as the impact of climate risk. Refer to In depth INT2021-11: [Impact of ESG matters on IFRS financial statements](#).



[PwC's Global Investor Survey 2022](#), published in December 2022, includes the views of investors on the threats and priorities for business over a short term and long term basis, how effective businesses are in dealing with these and how well they are reporting about them, as well as what they are looking for in terms of disclosure. Over the next 12 months, the biggest threat to businesses were considered to be inflation and macroeconomic volatility. Respondents believe these risks will reduce over the next 5 years, and the threats of exposure to climate change and cyber risks will increase.



Investors believe that the top priorities for business are innovation, profitable financial performance, data security and privacy and effective corporate governance. Followed by environmental and social priorities which included GHG emissions, biodiversity, supply chain practices, health and safety and workforce diversity. However, investors reported a disconnect between these business priorities and how effective businesses are at taking action and reporting on these topics. To address this concern, companies should consider increasing their disclosures relative to the respective priorities for investors.



Investors also want disclosures on the impact the company has on society and the environment, which also includes disclosure of the monetary value of that impact in order to understand the full economic effect on their business decisions. Respondents noted that a clear and consistent narrative on business performance as a whole, including sustainability, and the management of risks and opportunities to support decision-making would improve the effectiveness of reporting. This includes disclosing the effect of sustainability risk and opportunities on the company's financial statement assumptions.



87% of respondents perceived there to be greenwashing in financial statements. Investors need to be able to trust and rely on the information reported, and would like reasonable assurance in order to have a similar level of trust in sustainability reporting to financial reporting. The investors expressed the need for assurance providers to be subject matter expertise, apply professional scepticism, subject to independence and ethical standards, able to assess forward looking information and have experience in audit processes.

Additional disclosures on sustainability related reporting will aid investors with their own reporting on sustainability and will help investors to understand the impact of new reporting standards on the business, which is in line with the expectations on the impact of new IFRS standards and amendments.