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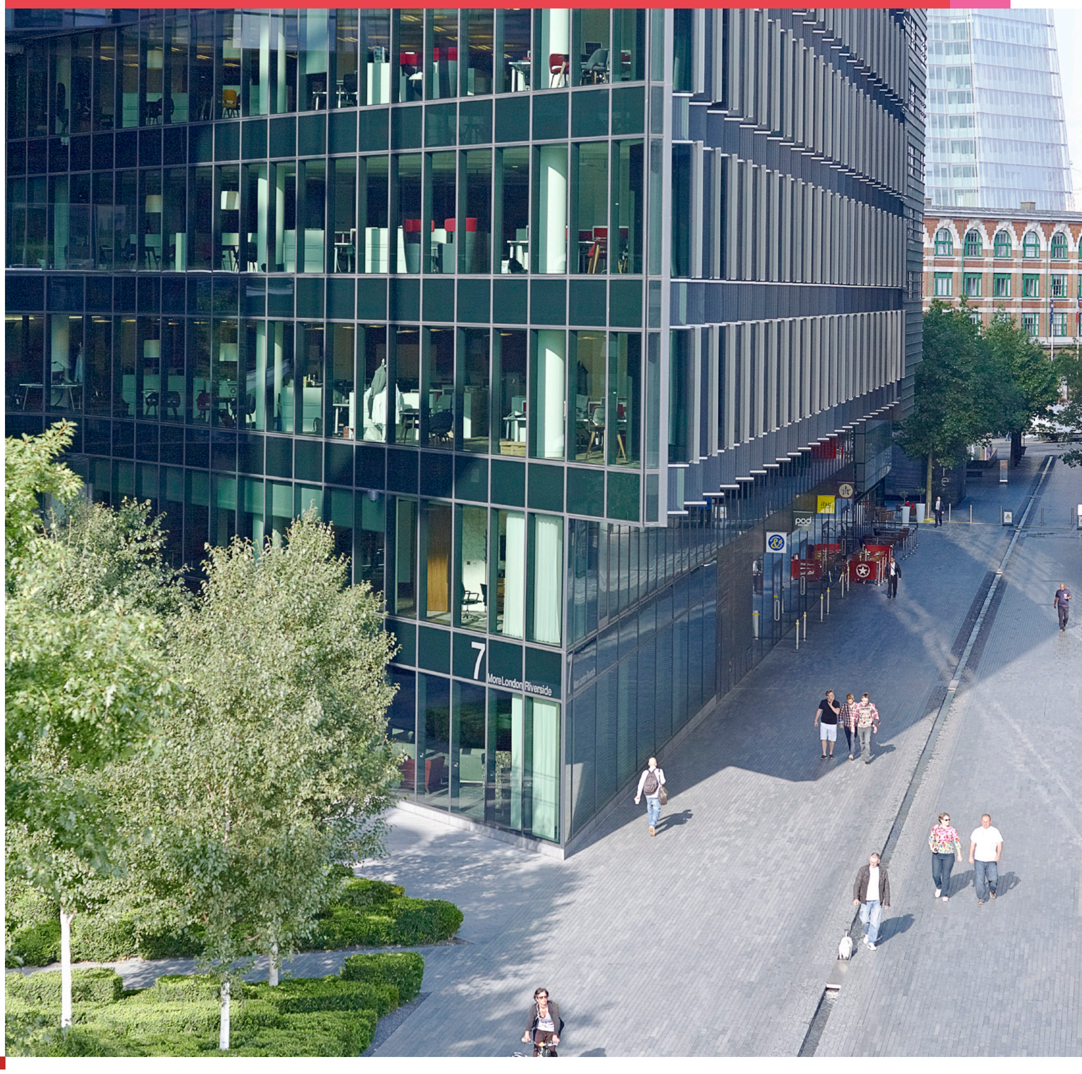
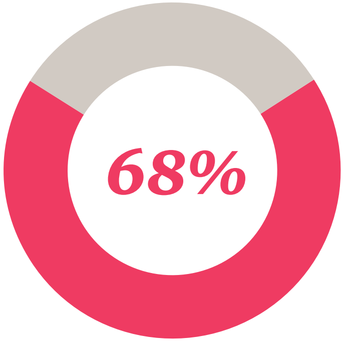
Global investor survey on corporate reporting

November 2017

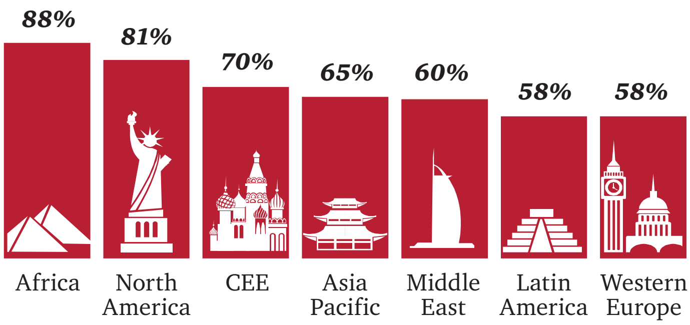


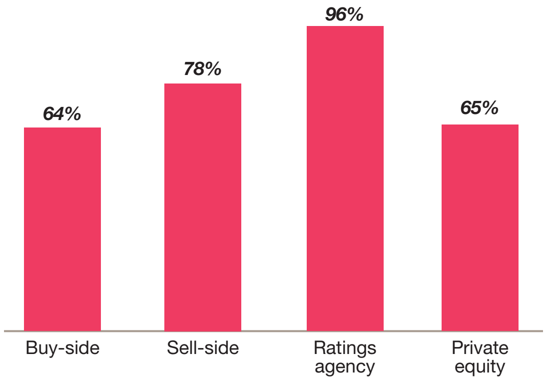
Investors say the quality of reporting is key to their investment analysis

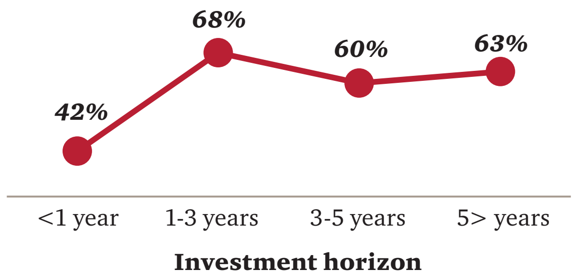
I typically review the annual report/ 10-K/20-F of the companies I follow.



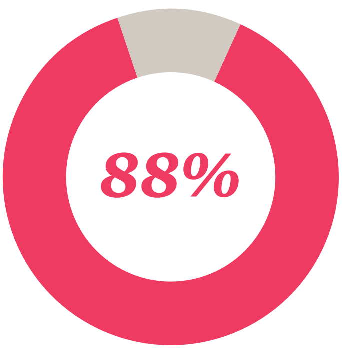
"You can't deny that a basic set of statutory accounts combined with a set of director's reports are critical in the investment process."





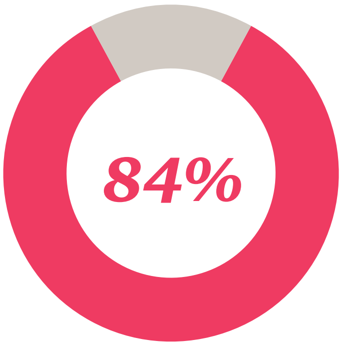


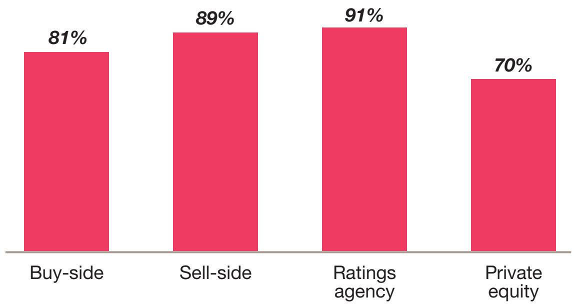
My perception of the quality of a company's reporting impacts my perception of the quality of its management.



Note: The results show the % of respondents answering agree or strongly agree.

Understanding management's view of potential risks and their mitigation strategies is important for my analysis and decision making.

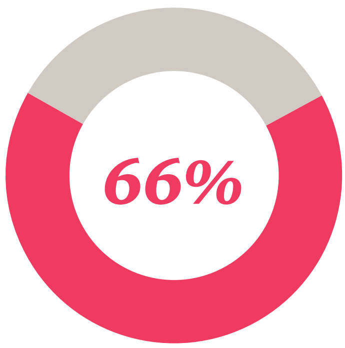




"Management's accessibility is very important, i.e. allowing for better access to management to talk to and explain the results. Companies that have good relationships with analysts and investors engender trust and get rewarded for that."

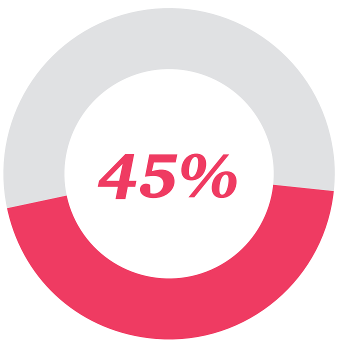
"Companies will need to be better at transparency and using 'readable' and 'understandable' language. Getting the critical messages out there so that people can really understand what you are trying to say is important."

Disclosure in an annual report about strategy, risks and opportunities and other value drivers can have a direct impact on the discount rate I use in my analysis.

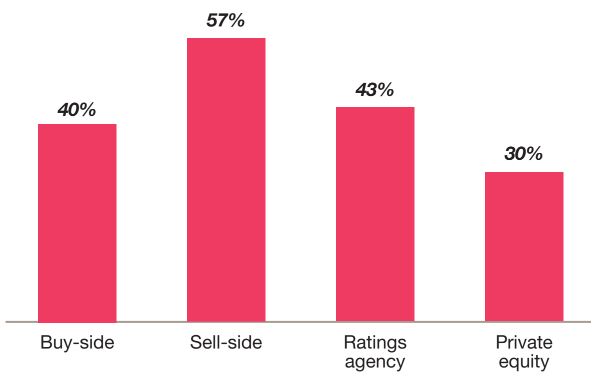


Investors feel companies could improve their reporting

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

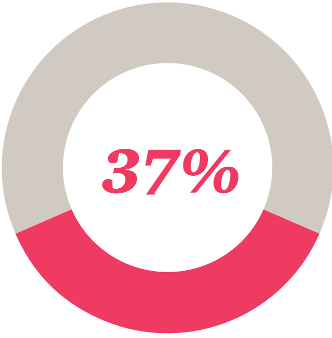


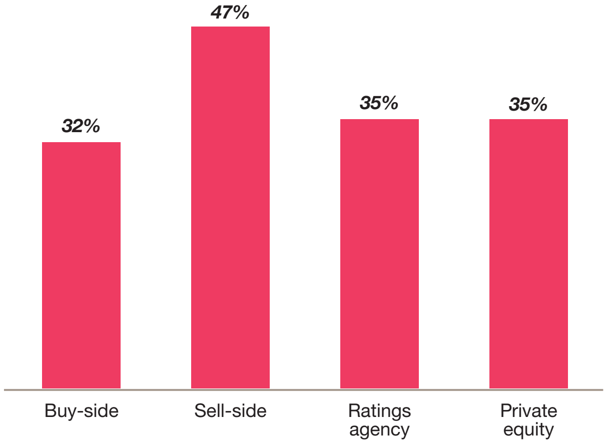
African investors are less positive with ***29%*** *saying that companies do a good job of explaining their business model.*



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.*

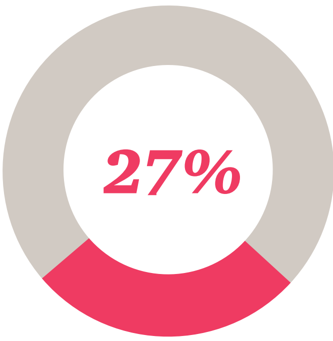


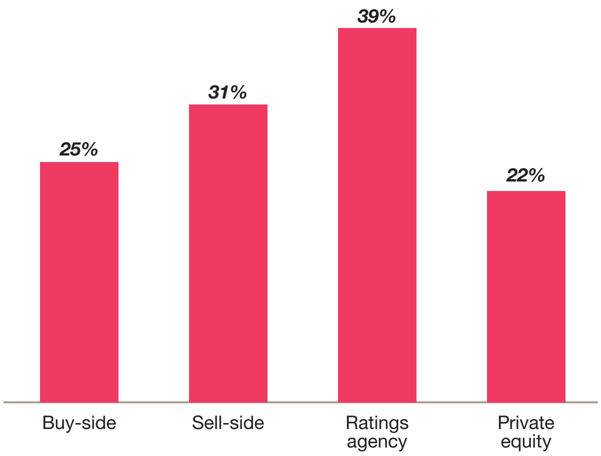


"The best companies are able to articulate their views on threats and opportunities facing their company and bring it to life. This makes you feel like you're inside the company."

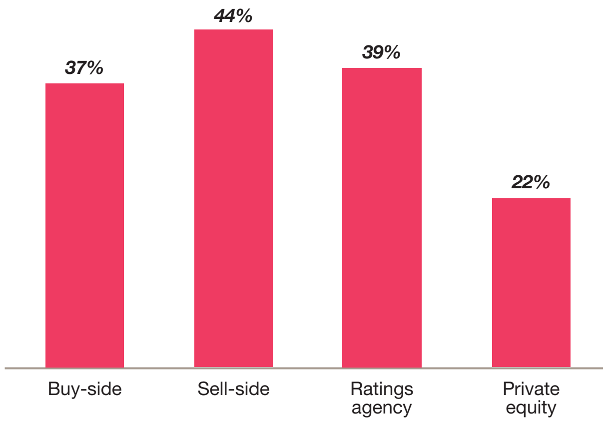
I believe management is sufficiently transparent about the metrics they use internally to plan and manage their business.

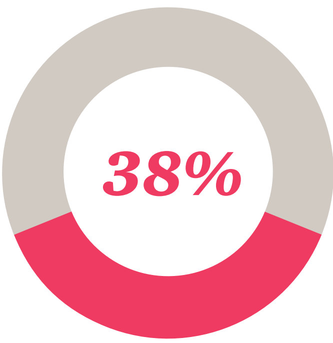
*African investors are less positive with **17%** thinking that companies are sufficiently transparent about the metrics they use internally, whereas **39%** of Asia Pacific investors agree with the statement.*





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**
2. **Environmental, social and governance disclosures**
3. **Quality and clarity of disclosures**

"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."

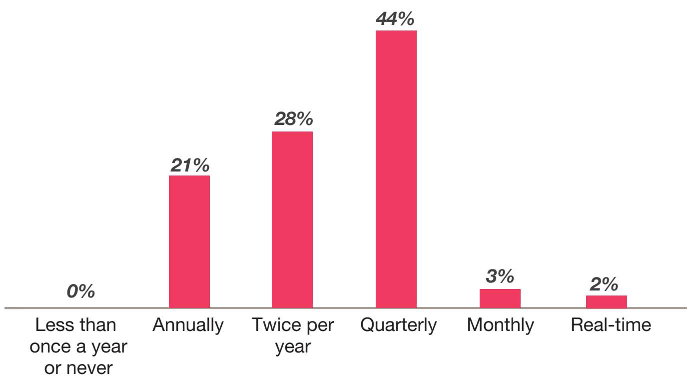
"While companies have started to disclose more non-financial information, there are some issues with comparability and what's relevant to the company. I expect there will be some improvement in this area."

"Companies should be much clearer in assessing materiality – what's important and what's not – including in communicating negative trends."

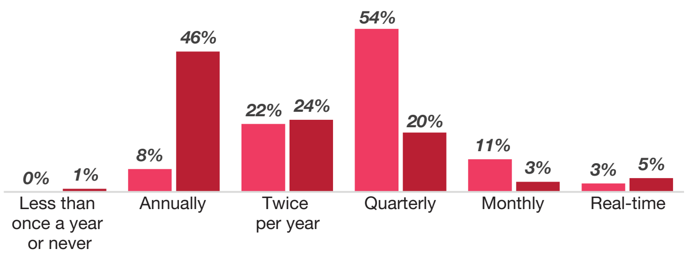
"Generally you would get a different picture after talking to management than you do reading their reports."

Investors like to hear from companies, but their preferred frequency of reporting varies

Q: Please indicate below the ideal frequency in which you would like companies to do the following:



Report full financial statement and notes



Quantitative information   Qualitative information

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.

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."

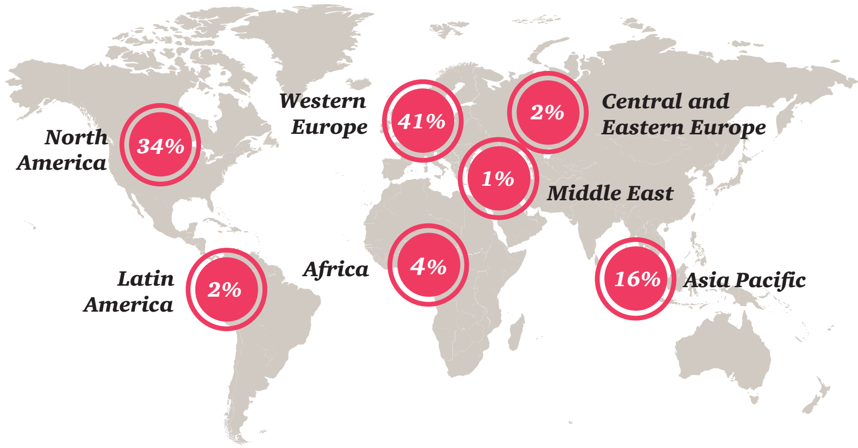
Methodology

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.

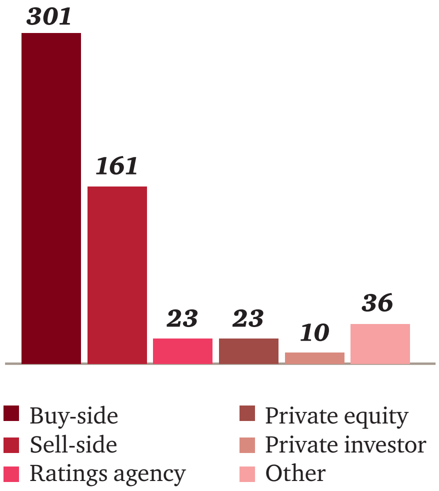
Where we have included a geographic breakdown, the analysis is based on where the investment professionals are based.

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

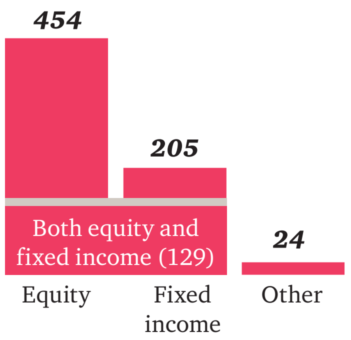
% of respondents by region



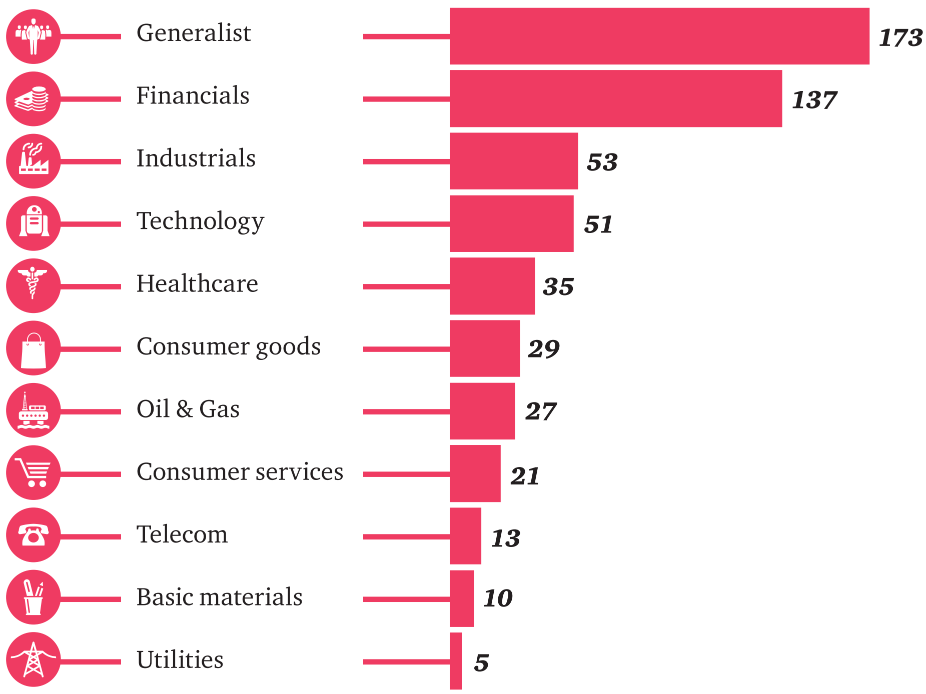
Role



Specialism



Industry



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