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Disclosure - The pathway to corporate reporting reform

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Corporate reporting has undergone, and continues to undergo, substantial changes, upgrades, advances, and methodological enhancement. The nature and scope of reporting today has had paradigm shift compared to forty years ago.

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In the 1980s, there were essentially three elements to corporate reporting. An income statement which focused on profitability, a balance sheet which focused on solvency and a cashflow statement that concentrated on movements in cash and essentially working capital. The associated disclosure too was relatively narrow. Notes to the balance sheet provided reconciliations to the amounts per the balance shee and were more of a substantiated calculation rather than any type of analysis. Predominantly the disclosure focus was on investors and lenders.

Today, 40 years later, we have disclosure requirements more akin to a thesis, rather than a set of account This is because of the transition from a predominantly single stakeholder view, to that which is necessary f a far broader stakeholder view.

The nature of corporate reporting has shifted fundamentally from a set of predominantly historical reportin accounts to a balanced set of accounts that combine analysis of the period under review with a forward-looking focus. From an IFRS perspective, required disclosure includes the anticipated future recovery of assets, including leased assets (Right of Use) and various financial instruments. Disclosure around liabiliti include the anticipated settlement thereof (lease liabilities, financial liabilities). As we know, one cannot full anticipate what the future may bring. For this reason, detailed disclosure around key judgement areas and assumptions are vital.

The above is especially relevant as the global community is still grappling with the impact and uncertainty t Covid–19 has brought, and will continue to bring for the foreseeable future, until herd immunity is reached not just at a local or national level, but at an international one too. This requires management insight, assumptions to be made, models to be predicted and stress-tested. To enhance the corporate reporting environment then, detailed disclosures surrounding these need to be made. This requires then not just a quantitative approach to disclosure, as was historically the case, but a qualitative approach too. Preparers are required to bring users of corporate reports into their confidence and almost provide a behind-the-scenes view around the results and sustainability of the entity. The only way that this can happen is throug process of transparent and informative disclosure.

The word sustainability was used deliberately in the above paragraph. Sustainability reporting is fast becoming a significant focus area. The future of corporate reporting lies in a multi-stakeholder approach t reporting. A system of reporting that discloses not only the financial performance and position at a point in time and over time, but societal performance too. Disclosure around the entity's contribution towards clima towards the environment, towards its customers, employees and stakeholders are crucial too. Simply put, without a broad range of stakeholder analysis and transparency, corporate reporting will not be effective. Environmental, Social and Governance (ESG) reporting is indeed far broader than simply a climate focus an environmental focus, but rather a corporate reporting practice that represents risks and opportunities th will impact a company's ability to create long-term value. This includes environmental issues like climate change and natural resource scarcity. It covers social issues like labour practices, product safety, and dat security. And it involves governance matters that include board diversity, executive pay, and tax transparency.

ESG reporting and disclosure, combined with a robust set of annual financial statements entrenched in the principles of International Financial Reporting Standards (IFRS) cumulatively will produce an annual report that will truly represent the value of an entity and its related citizenship. The higher the levels of disclosure, the more transparent the disclosure, the wider the global reach of the disclosure, then the deeper its impa will be. This is a significant step required to regain user and stakeholder confidence and continue to refor corporate reporting, both locally and globally. The detail and transparency lies within the depth and breadt of its disclosure.

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