



UK Investor Survey 2023

**Navigating investor priorities:
Building confidence through clarity**
February 2024





Our latest survey shows investors want to know more about how companies are managing sustainability and emerging technologies like Artificial Intelligence (AI). They currently lack confidence in the information they have, and want clarity to better understand how organisations are evolving and transforming as they look to reinvent and grow.



As part of our [Global Investor Survey](#), we heard the views of 345 investors and analysts across 30 countries and territories. This report highlights the interests of **102 investors and analysts** who invest in or cover companies in the UK.

Investors told us that transparency on the impact of sustainability risk and opportunity was important to their decision-making, but there are still improvements to be made in closing the **reporting trust deficit**.

Key highlights from the survey



Prioritising new and emerging technologies: Investors favour accelerated adoption of AI, despite having significant concerns about the risks involved.



Embedding sustainability to drive value: Sustainability is clearly on the minds of investors, and they are pressing to understand how companies embed this into their strategic decision-making.



Addressing the reporting trust deficit: Investors want clearer, more consistent, and more comparable information on the material issues facing companies.

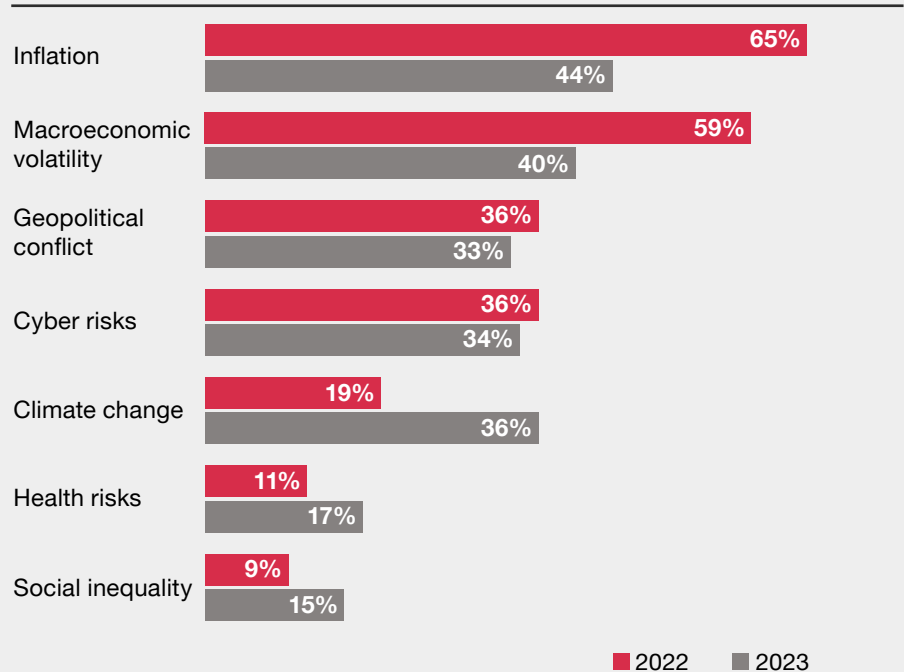
Section 1: The risk landscape is evolving

Investors want to understand how companies are navigating today's complex operating environment. Investors' worries about macro-economic volatility and inflation have declined since [last year's survey](#), although these risks remain significant relative to others.

Investors' concerns on the near-term threats of climate change and social inequality grew this year, highlighting a shift in focus – the biggest change in risk perceptions since the last survey.

- ▼ -21% Inflation
- ▼ -19% Macroeconomic volatility
- ▼ -3% Geopolitical conflict
- ▼ -2% Cyber risks
- ▲ 17% Climate change
- ▲ 6% Health risks
- ▲ 6% Social inequality

Share of respondents who think companies will be highly or extremely exposed to the following threats in the next 12 months:



New technologies and business reinvention – balancing risks with opportunities

Investors are interested in recent developments in AI and other emerging technologies as a source of improved productivity, growth, and new business models.

They ranked innovation and emerging technologies (including AI, the metaverse and blockchain) among their top priorities when evaluating companies.

64%

say that faster adoption of AI within companies they invest in or cover is very or extremely important.

Investors also perceived considerable challenges for businesses in the adoption of AI.

Investors highlighted the following risks with AI adoption:

89% Data security and privacy

88% Insufficient governance processes and controls

82% Misinformation

70% Bias and discrimination

Overall, investors (65%) identified technological change as the most likely factor to influence how companies create value over the next three years.

They also said that reporting on the use and deployment of new and emerging technologies was important or very important to their investment analysis – a finding that has implications for companies' internal decision-making.

80%

want to know how a company is using and deploying new and emerging technologies in their reporting.

Section 2: Sustainability

Showcasing the impact of sustainability

Investors want to understand how companies incorporate sustainability considerations into their strategic decision-making.

81% agree that companies should embed ESG considerations directly into their corporate strategy.

70% believe that companies should make expenditures that address ESG issues relevant to their business, even if it reduces short-term profitability.

In addition, investors also want to know about the impact a company has on the environment or society, and the commercial implications.

77% want companies to report on the impact that they have on society and the environment.

79% of investors who want impact information want it in monetary terms.

83% of investors who want impact information in monetary terms, think it would help companies to better integrate any trade-offs between environmental and social issues.

There are potential rewards for companies that make relevant changes to improve their impact on the environment.

68% of investors said they would increase their investment in companies that address sustainability issues relevant to their business' performance and future prospects.

64% of investors said they would increase their investment in companies that change their business conduct to have a beneficial impact on society or the environment.

Investor interest in ESG and sustainability investing is being driven by a number of different factors, including the regulatory environment, potential to protect returns, and client demand.

Share of respondents who think these factors will drive investor interest in ESG or sustainability investing (to a moderate, large and very large extent):



The cost of inaction or standing still

Investors will also act if they think a company is not demonstrating sufficient progress on ESG issues. They shared their views on the actions they have taken in the past, and those they would be likely to take in the future. Investors have most commonly sought change by entering into a dialogue with the company.

Share of respondents who have taken, or would take, the following actions if a company was not demonstrating sufficient action on ESG issues:

Action	Have taken action	Would take action
Seek to enter into a dialogue with the company	58%	64%
Seek inclusion of ESG targets in executive pay	43%	65%
Submit a shareholder resolution on the issue	32%	47%
Vote against executive pay arrangements	38%	61%
Sell my investment	31%	52%
Vote against director appointments	40%	61%

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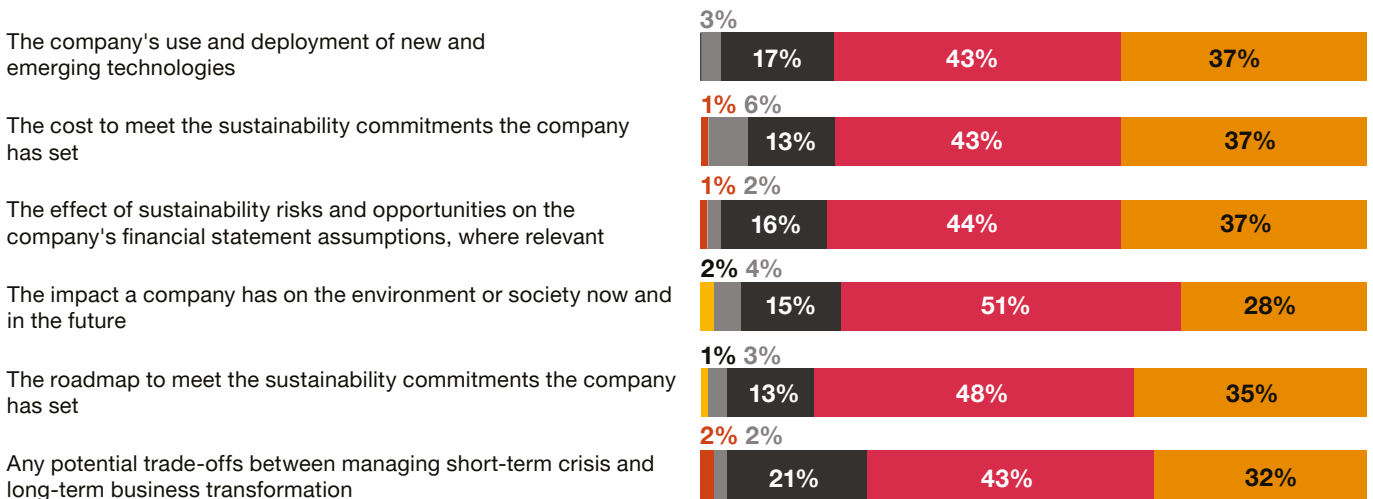
I'd like to see simple language and a coherent story linking different aspects of the business together. From the past, present and future, to the narrative and the financials, investors will trust the business more because they can see how it all fits together.”

UK-based investor



Reporting

How important is it for your investment analysis and decision-making that companies report the following information?



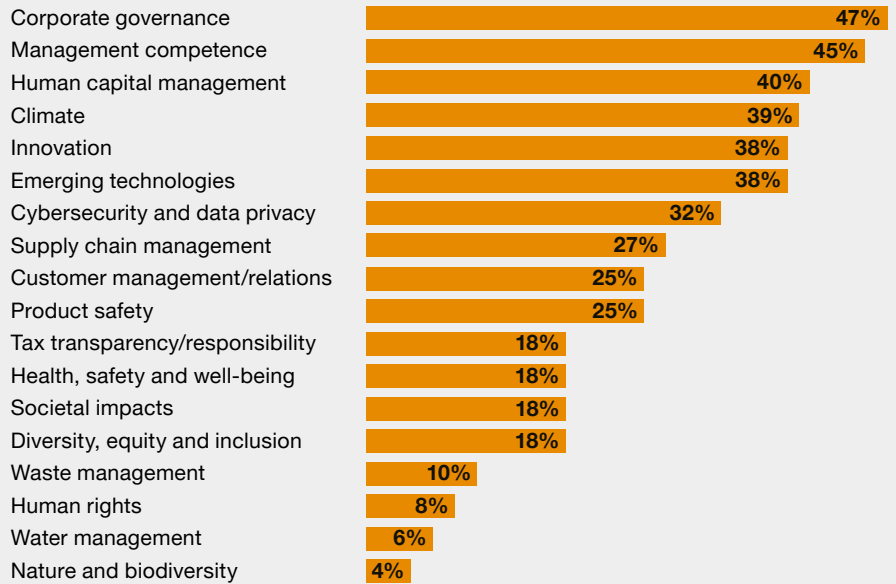
Key

■ Don't know
 ■ Very unimportant
 ■ Unimportant
 ■ Neutral
 ■ Important
 ■ Very important

Investors are focused on multiple factors when evaluating companies – driven by differences in industry, region and personal or client preferences. Against this backdrop, companies should focus on those issues material to their business.

Excluding financial performance, investors say the following factors were the most important to them when evaluating the companies they invest in or cover.

The top three considerations for investors are: corporate governance, followed by management competence and human capital management.



Trust

Bridging the reporting trust deficit

Companies need to address the reporting trust deficit to meet investor demands for better information.

Investors want clear, consistent and more comparable information on the material issues facing companies.

To meet investor demands, companies should provide a complete, interconnected and balanced narrative. This demonstrates that they are managing risks and identifying opportunities that allow them to continue creating value over the long term.

Investors' concerns about **greenwashing** erode trust in what companies say about how they are addressing the sustainability risks and opportunities facing their business. This makes it difficult for investors to allocate capital to where it needs to go.

93%

of respondents, who invest in or cover companies in the UK, believe that corporate reporting on sustainability performance contains at least some level of unsupported claims, an increase from last year (89%).

There has been significant support from investors for new disclosure requirements, such as those from the European Union's Corporate Sustainability Reporting Directive (CSRD) and International Sustainability Standards Board (ISSB), which could lead to more consistent, comparable reporting on sustainability.

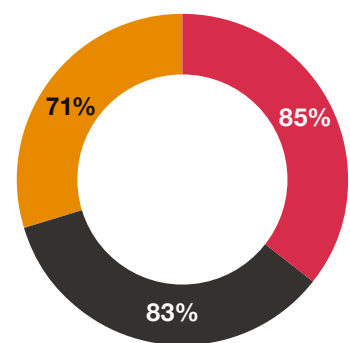
86%

of respondents agree (to a moderate, large or very large extent) that companies should meet the upcoming sustainability reporting regulations and standards (including CSRD) to inform their decision-making.

Gaining investor confidence

Investors expressed confidence in assurance when it came to assessing the accuracy of the sustainability information reported by companies.

Share of respondents who said the following would provide them with confidence in assessing the accuracy of a company's sustainability reporting to a moderate, large or very large extent:



- Independent reasonable assurance
- External certification or verification report
- Independent limited assurance



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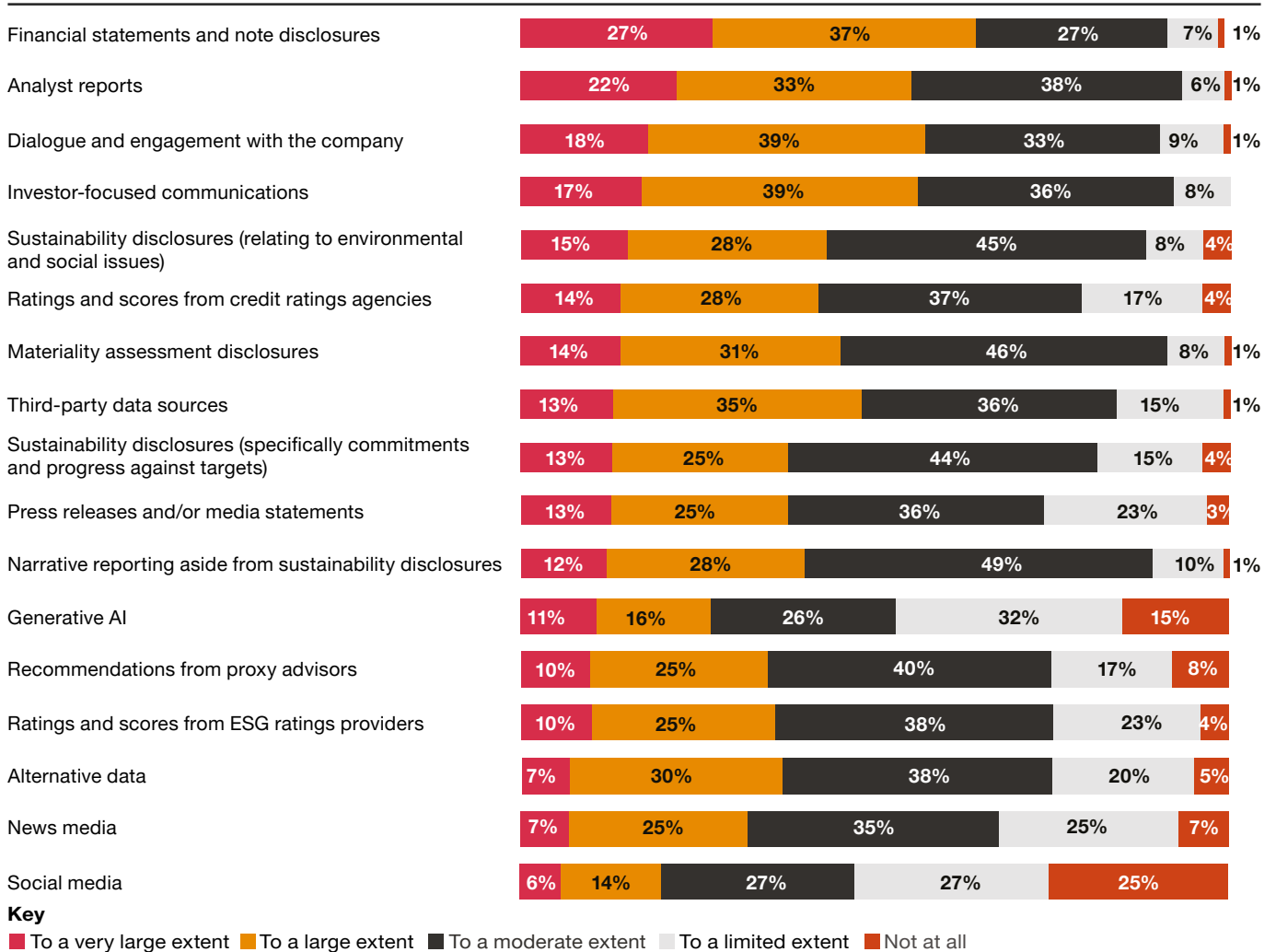
Companies are going to have to consider exactly how regulations interact with their own business model and really focus on telling that story to investors while they navigate various regulations.”

UK-based investor

Investors use a wide array of sources to get information about how companies manage risks and opportunities, with narrative reporting aside from sustainability disclosures topping the list.

When we asked investors about the degree to which they trust the following sources of information, the top three sources were: **analyst reports, financial statements and note disclosures, and dialogue and engagement with the company.**

To what extent do you trust the following sources of information in assessing how the companies you invest in or cover, in general are managing the risks and opportunities facing their business?



Section 3: Assurance

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It may not be possible to report all information to an assurable standard, or on the same time scale of an annual report yet. But I think that has to be the goal.”

UK-based investor



When it comes to the attributes of the assurance practitioner, investors are looking at a number of different characteristics to provide them with confidence in the information assured.

How important are each of the following in giving you confidence in the work of an assurance practitioner?

Involvement of (or having access to) experts with the necessary subject matter knowledge



Being able to have a complete and interconnected view of the business across all types of corporate reporting



Having experience in performing audits of complex organisations



Being experts in applying professional scepticism and the ability to assess the reasonableness of management's estimates and judgments, including on forward-looking information



Being subject to independence and ethical standards (i.e. IESBA) and acting in the public interest



Being trained in using audit methodologies similar to those used for financial information



Key ■ Don't know ■ Very unimportant ■ Unimportant ■ Neutral ■ Important ■ Very important

As investors address issues around trust, independent assessment of reported information is valuable. Investors are looking to the assurance practitioners to assure that a company's reporting is accurate and fully complies with recognised reporting frameworks.

90%

of investors say they would get confidence from these actions by an assurance practitioner when looking at a company's non-financial reporting:

- Assure that a company's management has taken the action that they have reported to have done.
- Assure that the reporting fully complies with a generally recognised reporting framework (i.e. ESRS, ISSB, GRI).
- Assure the reporting as a whole (i.e. all non-financial reporting disclosures, including narrative, metrics and KPIs), not a subset of what is reported, if this were possible to do.

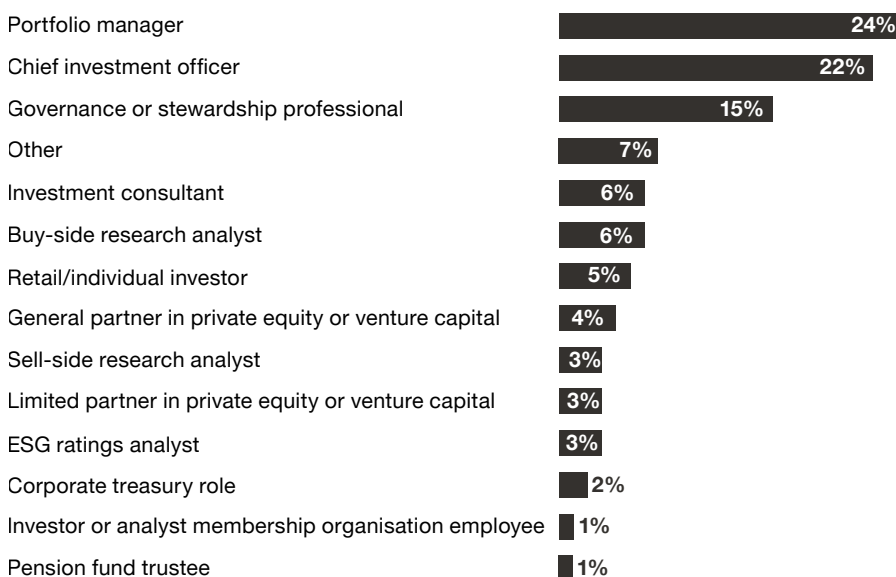
Section 4: Methodology

In September 2023, we surveyed 345 investors and analysts across 30 countries and territories, and conducted in-depth interviews with 15 investment professionals. The data in this report is based on the 102 respondents who invest in or cover companies in the UK.

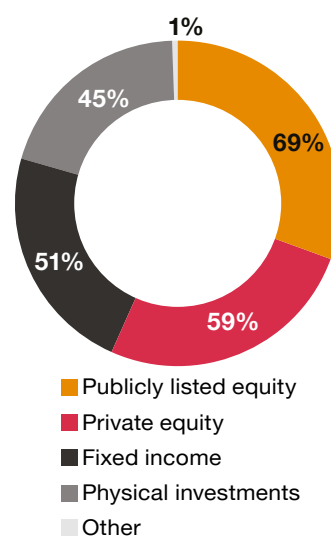
Global respondents were predominantly institutional investors, with 48% having more than ten years of experience in the industry. Their investments covered a range of asset classes, investing approaches, and time horizons. The assets under management (AUM) at their organisations range from <US\$500 million to US\$1 trillion or more.

The online research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services. The interviews were conducted by PwC partners and staff.

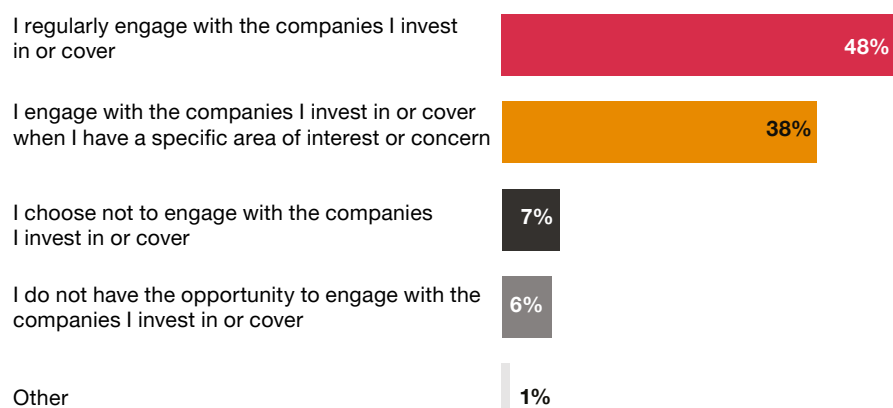
Demographics:



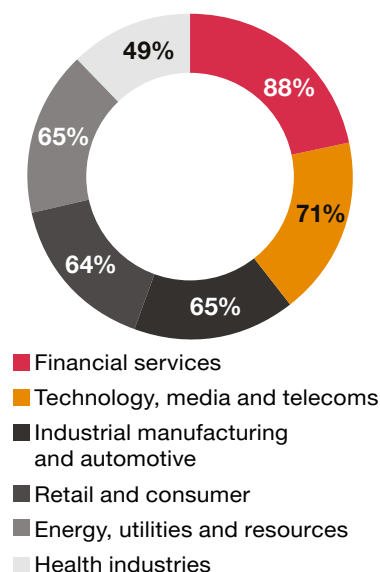
Asset classes



Level of engagement:



NET industry invest in or cover



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