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Corporate financial disclosures: Make transparency the focus

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Companies are well aware that over time rules and regulations regarding corporate financial disclosures are subject to change, whether it's from the Securities and Exchange Commission (SEC) in the US or its counterpart in the European Union (EU). For example, environmental, social, and governance (ESG) reporting is imminent in the US, but currently there's no standard. It's already highly regulated in the EU. This lack of consistent framework on ESG topics can make it difficult for US investors to evaluate the risks in investing in a company. Hence, the rise in investor activism has increased the call for true transparency. Stakeholders seek to make informed decisions on the risks and rewards of the companies they do business with or invest into.

Today, companies must tell their whole story, good and bad, in a way that is easy to understand and doesn't blur the facts. It's important to generate trust with shareholders, the investment community, employees, and all stakeholders.

True transparency is the act of disclosing all relevant information to stakeholders in a clear and concise manner. The new focus on transparency puts more responsibility on corporations to be truthful and accessible to the public and asks them to consider including information that is not yet required.

Despite the growing demand for transparency, many companies continue to struggle with the concept. Concerns range from worries about sharing information with competitors and the fear that investors may misunderstand what is being published to how to build a compelling story and what to include.

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