Building trust a long-haul process

BY **ESTHER LEE**

Trust or trustworthiness is often viewed as an abstract concept and a common refrain heard is that it is an attribute that cannot be measured.

PwC Malaysia, however, begs to differ, as it has been measuring trust among Malaysian corporates through its Building Trust Awards for almost a decade.

This year marks the fifth time that PwC Malaysia will be organising the biennial event. The firm assesses trust-building efforts by constituents of the benchmark FBM KLCI as well as those in the FBM Mid 70 Index for the purposes of the award.

"People always say trust cannot be measured, but we are here to enlighten them that it can," says PwC Malaysia assurance partner Pauline Ho, who is also the firm's Building Trust programme sponsor.

PwC Malaysia managing partner Soo Hoo Khoon Yean believes that promoting trust as an asset is a long-term effort in emphasising a business' role in taking up the mantle to build trust.

"Businesses are in a unique position to take the lead in building trust among society — they keep the wheels of the economy turning, and have the clout and reach to affect people through their actions, big and small," he says.

And Soo Hoo has seen much progress in the area of building trust with stakeholders among Malaysian corporates since the inception of the awards back in 2015.

"The word 'trust' crops up more frequently now in the annual reports and people do take it more seriously today. Within the investing community, stakeholders are looking at frameworks like integrated reporting to see beyond the financials — which is what corporations are doing to promote trust and transparency," he adds.

Integrated reporting is now an important element for corporations as investors and the public around the world are becoming more aware of issues relating to environmental, social and governance (ESG) factors. So, while it used to suffice for the public and employees when companies delivered consistent financial results and good quality products, expectations have now changed as companies are benchmarked against a higher set of standards in building long-term value creation as part of their ESG imperatives, says Soo Hoo.

PWC

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Even in the mid-cap space, where the content of the integrated reports may be less detailed compared to the big-cap companies due to resource constraints, PwC Malaysia has seen progress, he says.

This is particularly evident among those from industries that have higher vested interest in the environment such as consumer products, real estate and plantations, as can be seen from the improved ESG reporting by some companies in the FBM Mid 70 Index.

"Malaysian corporations have come a long way to arrive at where we are currently, although a lot of progress and improvement is still required. What we have noticed is that a majority of companies' reporting can be more integrated.

"When we benchmarked their annual reports against the International Integrated Reporting Framework, [we found] many companies had not fully adopted the integrated reporting principles to clearly articulate how they had employed capital to create value over the short, medium and long term," highlights Soo Hoo.

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According to Soo Hoo, a company's integrated report serves as an indicator to stakeholders that the company has considered the outlook of the industry and market(s) it is in, its business model, risk and opportunities, and has a plan to create value for its stakeholders over time with clear success measures in place.

"Getting this narrative right helps companies communicate how they're doing things differently, demonstrating authenticity to their stakeholders," he adds.

Perception can offer an insight into how a company is performing in building trust in the eyes of its stakeholders. In the case of the Building Trust Awards, it is a crucial yardstick of the temperature among the public, as well as its customers, employees and investors.

What has been noticeable, says Ho, is that companies that are rated quite highly in terms of capabilities and responsibilities from the trust perception measurements done for the awards, tend to bounce back from negative sentiment quite quickly when confronted with an issue affecting the organisation.

"So, what this means is that a company that has consistently done well [in terms of the trust perception elements] was able to draw on its trust reservoir, so to speak, and stakeholders were more forgiving. For instance, if a company comes out to say it has seen instances of employees being accused of bribery-related matters, it does not affect the overall trust perception of the company because actions are taken to deal with them immediately," she says.

How is trust measured?

The Building Trust Awards aims to measure trust holistically. The first step involves analysing publicly available online conversations surrounding 100 public-listed companies (PLCs) that are measured against the three pillars of the trust analytics framework: capability, responsibility and transparency.

The 30 companies that make it through to the next stage are assessed on their corporate reporting quality by benchmarking their annual reports and sustainability reports against IFRS Foundation's Integrated Reporting Framework using PwC's benchmarking tool and PwC Malaysia's ESG reporting assessment tool. From this exercise, 20 firms are shortlisted.

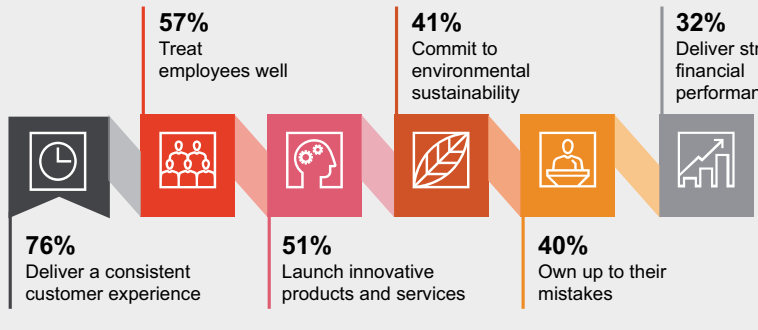
This year, 12 that made the cut are from the FBM KLCI while eight are from the FBM Mid 70 Index.

Key drivers of trust in business

In an April 2023 survey, we asked **Malaysians** what are the things companies do that build trust with them in the long term. The survey showed that they prioritise **customer experience** and **employee treatment** as key drivers of trust.

Sharing similar sentiments, CEOs reveal that their business model emphasises customer interests alongside financial sustainability.

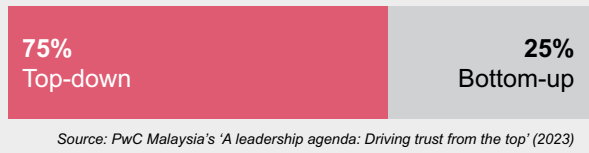
The top six drivers of trust, according to the public (consumers and employees):



An overwhelming majority of the **public** believe that trust starts at the top. When leaders embrace behaviours that inspire trust and lead by example, it sets the tone for the entire organisation.

We find that **business leaders** emphasised the importance of role modelling desired behaviours themselves and ensuring organisational values are instilled throughout operations across different regions.

Mutual feelings: Three in four employees agree that trust should be driven top-down



Source: PwC Malaysia's 'A leadership agenda: Driving trust from the top' (2023)

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Building Trust Awards 2023 finalists

FROM THE FBM KLCI

CIMB Group Holdings Bhd
Hong Leong Financial Group Bhd
IHH Healthcare Bhd
Malayan Banking Bhd
MISC Bhd
Nestlé (M) Bhd
Petronas
RHB Bank Bhd
Sime Darby Bhd
Sime Darby Plantation Bhd
Telekom Malaysia Bhd
Tenaga Nasional Bhd

FROM THE FBM MID 70 INDEX

CTOS Digital Bhd
Fraser & Neave Holdings Bhd
Gamuda Bhd
Heineken Malaysia Bhd
Matrix Concepts Holdings Bhd
UEM Sunrise Bhd
Unisem (M) Bhd
Yinson Holdings Bhd

Thereafter, further analysis of trust perception is done from both an internal and external perspective.

To measure trust from an internal perspective, employees are asked to answer a questionaire, jointly created by PwC and the Asia School of Business, to measure employee trust perception.

As for the external view, public trust perception is measured through "online listening" for 12 months, which is supplemented by an online public poll distributed through PwC Malaysia's digital channels.

Ho says the awards do not measure trustworthiness as a one-off event, but instead assess the continuous efforts of companies to build trust among their stakeholders.

The rigorous data collection exercise takes around 18 months to complete. Thereafter, the gathered data is passed on to a panel of independent judges, who decides on the winners.

"It's important to us to consistently uphold the quality of information on how companies build trust ... which is why in the eight years since we started the awards, we have always been flexible with adjusting our methodology in order to find new ways to better measure trust," says Ho.

One example is how ESG reporting forms part of the assessment for the shortlisting process this time around, compared to it being just additional data points for the judges when considering the winners of the previous years.

"This is in recognition of the weight ESG metrics carry in influencing trust in business — it's an important factor in investment decision-making, consumer purchase decisions and increasingly shapes employee expectations," says Ho.

The ESG emphasis

In 2021, PwC introduced ESG reporting benchmarking in its methodology to help judges assess how companies report their ESG strategy and material issues. At the time, it had no bearing on the shortlisting process, though it carried weight in the selection of the final winners.

For this year, ESG reporting has been brought to the forefront, as part of the shortlisting process. Given the increasing importance of ESG as a business imperative, PwC feels it is timely to assess whether Malaysian companies are embedding ESG considerations into their business strategies with clear goals and success measures.

Judges with diverse background who are advocates of trust

Notably, the main criterion in the process of selecting the panel of judges is independence. None of them are employed by PwC or affiliated with the finalists, Ho confirms.

"We also want to ensure that we have diversity in background and expertise to ensure a more robust discussion. Judges must also be advocates of trust within their own circle of influence and strongly believe in the need to drive the conversation on building trust. We also want the judges to have a strong view on sustainability, given how it is becoming an integral part of the business," says Ho.

The three judges of the Building Trust Awards this year are returning judges. They are: Sir David Tweedie, past chairman of the board of trustees, International Valuation Standards Council; Tan Sri Dr Jemilah Mahmood, executive director at Sunway Centre for Planetary Health, Sunway University; and Datuk Muhamad Umar Swift, CEO of Bursa Malaysia Bhd.

The winners will be announced at the Building Trust Awards ceremony that will be held by year end. E

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