

Integrated Reporting: Continuing the journey



Responding to the need for better insight

Most businesses today see the importance of communicating value, recognising stakeholders' need for better insight (not just data) amidst an increasingly disruptive marketplace.

If corporate reporting is merely viewed as a compliance exercise, companies risk losing the opportunity to engage with their wider stakeholders.

“The annual report can be a compelling stakeholder engagement tool and a competitive differentiator ... We may be missing a significant opportunity by not fully capitalising it as a communications platform. Used effectively, it can help companies define their own corporate story, instead of allowing the market to define their story for them.”

- Dato' Mohammad Faiz Azmi,
Executive Chairman, PwC
Malaysia



“We can only do a proper integrated report if we have a well-integrated strategy. We have learned a lot. The transition to a more holistic approach to value creation has helped us reflect upon our strategy.”

- William van Niekerk, Director, Corporate Social Responsibility, Royal BAM Group, Europe

“It’s hard to build trust if you’re not authentic. It’s a necessary condition. You can’t say you’re one thing, and act the other.”

– Malek Ali, Founder/
Managing Director,
BFM Media Sdn Bhd

Walking the talk should be done both via the annual report, using it as a platform to articulate the company’s story (the talk) and through the consistent actions of the company (the walk). This forms the basis of the integrated thinking approach.

Integrated Reporting <IR> is the means by which the broader value drivers of a business are managed internally and communicated to investors and other stakeholders. This includes internal stakeholders.

Building stakeholder trust is key to <IR>. Approaching <IR> with a compliance mindset may be counterproductive in demonstrating authenticity to your stakeholders. Trust is measurable and can be a strategic asset to business. It is also a journey in resilience - a key message conveyed through PwC’s Building Trust Awards, which recognised companies that are making efforts to build trust with their customers and investors.



Find out more about <IR >
and how PwC can help



Read more on the Awards





Communicating value through <IR>

We have for the past 3 years, benchmarked the top companies in Bursa Malaysia on how they are performing in their corporate reporting.

Based on last year's benchmarking report, some companies were beginning to put some structure into their corporate reporting. However, most businesses still treated reporting as a compliance exercise.

In our follow-up benchmarking analysis this year of 2015's Bursa Malaysia Top 50 companies, we are able to see some visible improvements in their annual reports.

These include:

- Providing insight on Corporate Governance activities beyond boiler plate terms of reference
- Clearer linkage of KPIs to strategy
- Inclusion of strategic priorities, enhancing the credibility of vision statements
- Clearer linkage of business model to value creation


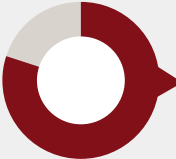

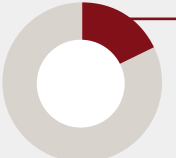





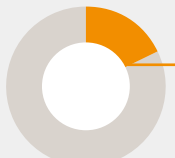




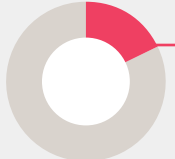





We expect these metrics to improve:

- Disclosure of principal risks - a checkbox mentality is still observed
- Including a separate corporate responsibility section in the annual report*

Refer to infographic on the next page.

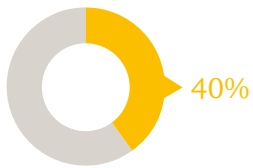
**Note: Bursa Malaysia requires the disclosure of a listed issuer's management of material economic, environmental and social ('EES') risks and opportunities in its annual report ('sustainability amendments'). This is applicable for annual reports issued for financial years ending on or after 31 December 2016. We expect this to improve.*

Key findings

		2016	2015
 Governance	Refer to culture, values and 'tone at the top' driving governance	 80%	 68%
	Provide any insight on Corporate Governance beyond boiler plate terms of reference	 18%	 4%
 Performance	Explicitly identify KPIs	 42%	 34%
	Of those who link KPIs to strategy	 30%	 18%
 Strategy & resource allocation	Disclose a strategic vision	 86%	 88%
	Of those who include strategic priorities	 20%	 18%
 Organisational overview and external environment	Discuss market trends	 84%	 92%
	Of those who link this discussion to strategic choices	 10%	 10%

2016

2015

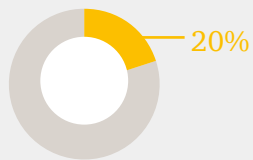


40%

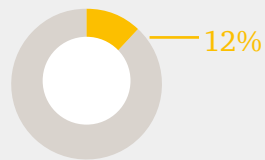


44%

Make reference to their business model



20%

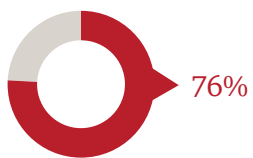


12%

Of those who explicitly link the business model to value creation



Business model



76%



84%

Describe the process by which risks are identified



Opportunities and risks



16%



24%

Report their principal risks



64%



90%

Have a separate sustainability or Corporate Responsibility section



Outlook



32%



36%

Embed sustainability into their overall business strategy



Areas where companies have improved in



Steps you can take immediately

These are some steps for those who are beginning their <IR> journey.



Organisational overview and external environment

Take the opportunity to analyse the market trends affecting your company and link that to your strategy.



Strategy and resource allocation

State how you're measuring your company's performance and link it to the overall strategy. Consider what you want to achieve for the short, medium and long term.



Business model

A picture is worth a thousand words. Map it out clearly using infographics, for better clarity. Demonstrate how you're managing your financial and non-financial capitals. Explicitly link your business model to how you create value.



Governance

Tell a meaningful story. Describe the activities of your Boards and Those Charged With Governance (TCWG) and how their activities/experience will help your company to implement your strategies.



Performance

Link your KPIs to your strategy. Make sure your KPIs are clearly quantified. Measure and track your progress consistently over the years.



Opportunities and risks

Provide a balanced view of your company. Disclose the risks and what you are doing to address them.

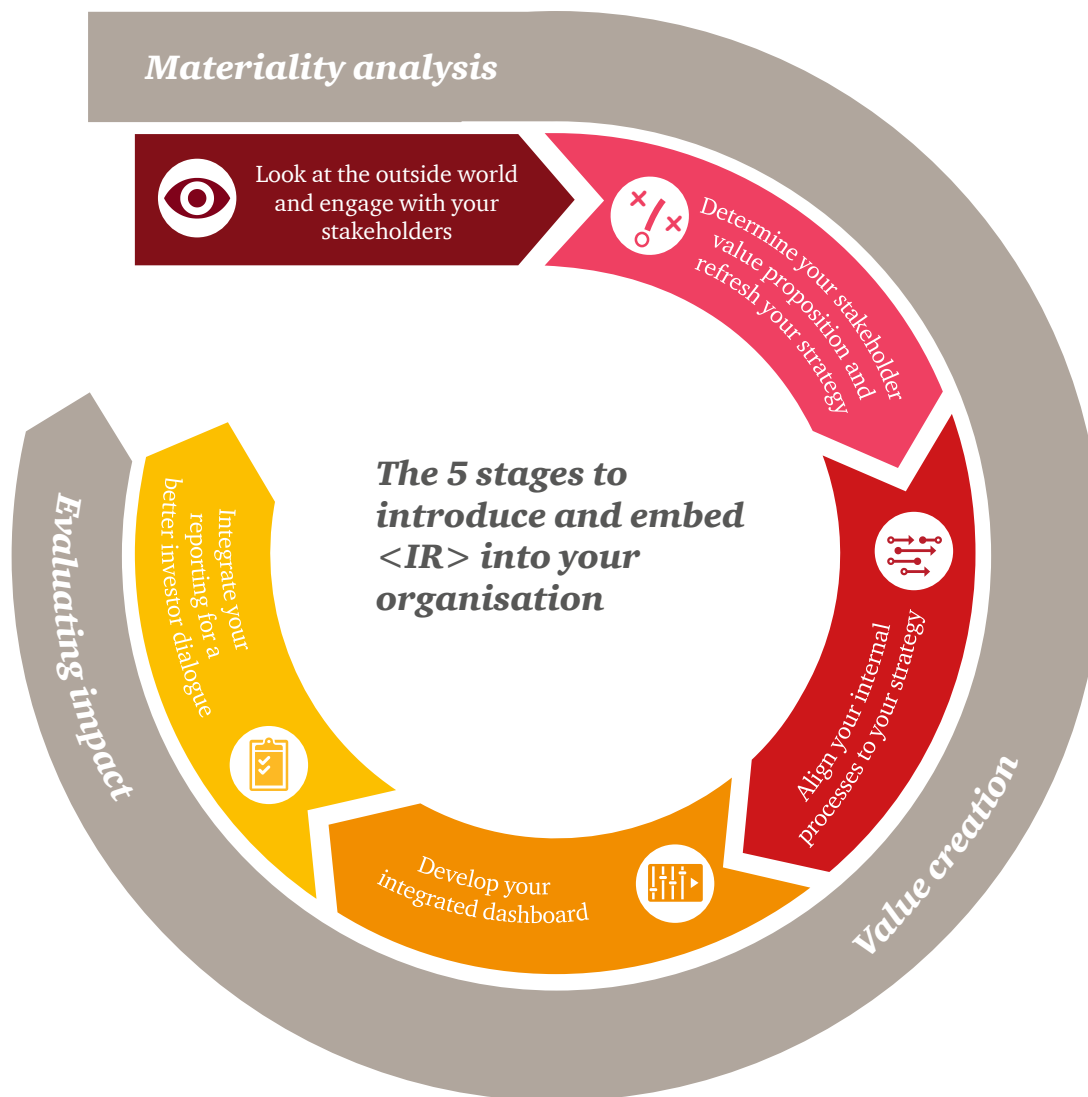


Outlook

Provide meaningful insight to your stakeholders to communicate the resilience of your company. Use information on your business model, strategy and performance to demonstrate why you're fit for the future.

Steps you can take in the long term

To support organisations on the journey to <IR>, PwC has developed a Roadmap for managing and measuring the broader value drivers that form the basis of <IR>.



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