



# Communicate real value. Inspire trust

A 2021 Integrated Reporting  
<IR> benchmarking analysis  
of FBM KLCI companies



**pwc**



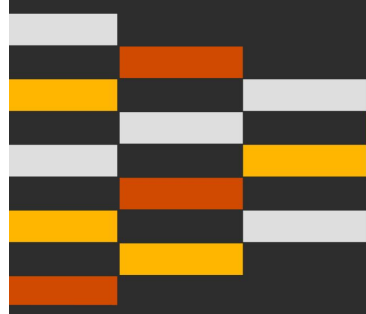
## About this report

This report contains analysis and recommendations following a review of annual and sustainability reports of FBM KLCI companies to help you improve your reporting. Our review covers all 30 FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) constituents as published on the Bursa Malaysia website dated 21 December 2020. We use the Value Reporting Foundation's Integrated Reporting <IR> Framework as the basis for the benchmarking exercise.

If you would like more personalised advice on your own reporting, please get in touch with us—contact details are on the back cover of this report. You can also explore past reports on Integrated Reporting <IR> [on our website](#).



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# All roads lead to trust

While the COVID-19 pandemic has caused widespread disruption, the events of the past one and a half years have also provided businesses the momentum and opportunity to rethink and reconfigure for sustainability and resilience.

The case for change is clear. Boards have a duty to 'address sustainability risks and opportunities in an integrated and strategic manner to support the company's long-term strategy and success' as stated in the Malaysian Code on Corporate Governance (MCCG) 2021. Companies are starting to see the benefits of doing so as evidenced in returns on socially responsible investment indices outperforming their conventional index counterparts<sup>1</sup>.

PwC has been working on more holistic reporting models globally for more than two decades. Our introduction of the Value Reporting Framework in 1999, moved the needle on corporate reporting and paved the way for its evolution to integrated reporting.

Locally, we have been advocating the adoption of the Integrated Reporting <IR> Framework among the business community over the years. We believe it is an important tool to manage what drives value for a business internally while communicating the effort and outcomes to investors and other stakeholders.

## Aligning your actions with your words

<IR> is about breaking down silos between different parts of the business to lay the foundation for Integrated Thinking. Doing this will enable the company to tell the story of how the business model transforms capitals to create value for its stakeholders in the short, medium and long term in a truthful and concise manner. What companies should avoid is to apply a checklist mentality to <IR>, as that will only produce an additional report that brings little value to the company and their stakeholders.

When done right, an integrated report can be a competitive differentiator; an authentic, connected narrative by the company that engenders trust with their stakeholders.

## Corporate reporting is improving, yet the journey continues

While there's still room for progress, it is encouraging to see that Malaysian companies have improved their reporting of several value drivers this year despite the difficult times we're in. With heightened awareness and greater push from investors, regulators and communities for quality insight, I believe we will continue to see improvements in corporate reporting in Malaysia.



**Pauline Ho**

Assurance Partner and The Building Trust Programme Sponsor  
PwC Malaysia



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**The Integrated Reporting <IR> Framework can be a useful guide to communicate that your company delivers value to your stakeholders in a sustainable manner.**

**Businesses may be at different starting points in their <IR> journeys; the end goal is the same - inspiring trust through your own corporate story.**

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<sup>1</sup>

Rethinking ESG in a post COVID-19 world,  
PwC, 2020

# Key findings

Since 2014, we have been benchmarking corporate reporting of the top companies in Bursa Malaysia against the Value Reporting Foundation's Integrated Reporting <IR> Framework.

In our latest analysis, we are pleased to see a clear, positive trajectory in the quality of annual reports published by the FBM KLCI companies. Here are some of the highlights. For more details, please refer to the statistics on the following page.

## Several Content Elements show notable improvement:



### Governance

There is now greater clarity over the outcome of the company's governance process. We see a 22% increase in companies discussing actual corporate governance activities undertaken by the board and its committees.



### Opportunities and risks

10% more companies now disclose principal risk(s) from management's perspective and their mitigating actions.



### Strategy and resource allocation

There's a 19% increase in companies adding disclosures of their strategic priorities in achieving their ultimate vision in ways that enhance the credibility of their vision/mission statements.



### Business model

33% more companies make reference to their business model in their reporting.

## There's also room for improvement:



### Business model

While the number of companies that make reference to their business model increased, only 50% link their business model to value creation - a fundamental concept of the Integrated Reporting <IR> Framework.



### Performance

Only 37% disclose their KPIs and discuss how they measure the success of their actions against the company's strategic priorities. This represents only a 4% increase from 2018.



### Outlook

43% clearly embed sustainability into their overall business strategy. However, the number of companies that do so has dropped from the 63% observed in 2018.



### Strategy and resource allocation

Only 57% discuss their strategic priorities in detail and how market trends affect the business as well as the strategic choices they make.

# Key findings (cont'd)

Our analysis of annual and sustainability reports of FBM KLCI companies resulted in the following statistics across key Content Elements considered under the Integrated Reporting <IR> Framework.

**Legend:** 2020 2018

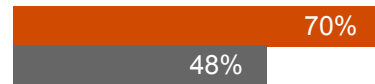
## Governance



Refer to culture, values and 'tone at the top' as driving governance



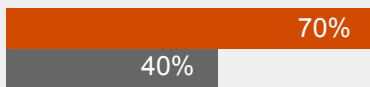
Provide any insight on Corporate Governance beyond boilerplate terms of reference



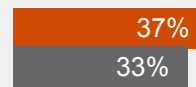
## Performance



Explicitly identify KPIs



Clearly link KPIs to strategy



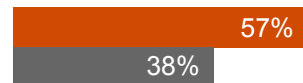
## Strategy and resource allocation



Disclose a strategic vision



Include strategic priorities



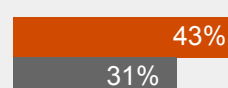
## Organisational overview and external environment



Discuss market trends



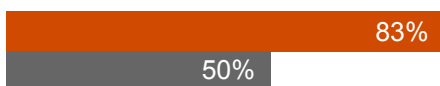
Link this discussion to strategic choices



## Business model



Make reference to their business model



Explicitly link the business model to value creation



## Opportunities and risks



Describe the process by which risks are identified



Report their principal risks



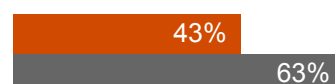
## Outlook



Have a separate sustainability or Corporate Responsibility section



Embed sustainability into their overall business strategy





# Integrating ESG with value creation

MCCG 2021 reflects the growing emphasis on communicating sustainability matters to stakeholders. But here's a pitfall: when a company only takes a reporting lens on environmental, social and governance (ESG) issues, they will miss the opportunity to integrate material ESG matters into their value creation activities, hence giving up a solid platform to engage and build trust with their stakeholders.

The Integrated Reporting <IR> Framework takes a value-based lens to ESG disclosures. While there is no shortage of frameworks and standards when it comes to ESG reporting, <IR> provides a set of overarching principles to guide the integration of ESG priorities within the company. And the company's report should reflect how value is created, preserved or eroded for the company and their stakeholders.

With the emphasis on Integrated Thinking, strategy and sustainability matters that are material to the value creation process should be understood, measured and communicated internally throughout the company, and externally to key stakeholders. Only then can the company realise the true value of <IR> and drive ESG holistically.



## Here are some key principles you should consider:



### **Strategic focus and future orientation**

Provide insight into the company's strategy, how it relates to the company's ability to create value in the short, medium and long term. This includes the use of and effects on capitals, both positive and negative, that are material to you.



### **Connectivity of information**

Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the company's ability to create value over time. For example, where ESG forms a material part of the company's strategic goals, the performance measures highlighted should include those that measure how the company is tracking its ESG strategy and remunerating top management in line with the overall achievement of value creation.



### **Stakeholder relationships**

Provide insight into the nature and quality of the company's relationships with its key stakeholders, including how and to what extent the company understands, takes into account and responds to their legitimate needs and interests. Being seen as agile and responsive to your customers for instance, is especially pertinent in these volatile times.

# Integrating ESG with value creation (cont'd)



## **Materiality**

Disclose information about matters that substantively affect the company's ability to create value over the short, medium and long term. This could include a new regulatory development or the emergence of a new technology that could be a game-changer for the industry.

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## **Conciseness**

An Integrated Report should be concise. Infographics can be useful to illustrate messages in a concise and understandable manner, in the right context.

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## **Reliability and completeness**

Include all material matters, both positive and negative, in a balanced way and without material error.

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## **Consistency and comparability**

The information should be presented:

- a. on a basis that is consistent over time; and
- b. in a way that enables comparison with other companies to the extent it is material to the company's own ability to create value over time.





**Trust can be a strategic asset to business during uncertain times. Building trust is a journey in resilience - a key message conveyed through PwC Malaysia's Building Trust Awards, which recognise companies that are making efforts to build trust through their communications and interactions with stakeholders.**

**For more information on The Building Trust Awards and how you can inspire trust through <IR>, please follow the links below.**



About The Building Trust Awards:  
[www.pwc.com/my/trust](http://www.pwc.com/my/trust)



More <IR> insights:  
[www.pwc.com/my/ir](http://www.pwc.com/my/ir)



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