



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

Think Ahead



# MIA-ACCA Integrated Reporting Survey



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# Executive Summary

Integrated Reporting (<IR>) is gathering momentum around the world, but uptake in Malaysia is in its early stages. This survey, conducted among a wide range of stakeholders in the corporate reporting value-chain including both preparers of corporate reports and users of those reports, finds that knowledge of <IR> is still relatively low in Malaysia. Over half (51.0%) of all 330 survey respondents say they have no or little knowledge of <IR>, while only 13.0% have good or in-depth knowledge.

Encouragingly, <IR> has piqued interests and there is a strong appetite for learning more about this new corporate reporting regime: among participants with no or little knowledge of <IR>, 96.9% of corporate report preparers and 92.9% of non-reporters<sup>1</sup> say they plan to know more about it.

Among preparers of corporate reports with some (more than a little) knowledge of <IR>, 27.7% indicated that their company would consider adopting <IR> and only 12.0% rule it out. Just under a third (31.3%) say <IR> has already been discussed at the board level – an important step for increasing senior executive understanding of the potential benefits of <IR> and initiating adoption plans.

Levels of active advocacy by non-reporters are relatively low at the moment. Among auditors and users of financial statements who have reasonable knowledge of <IR>, only 32.5% see themselves as active advocates of <IR> presently.

## POTENTIAL BENEFITS FROM <IR> ADOPTION

Most survey respondents envisage scope for improving the current state of corporate reporting in Malaysia. Over two-thirds (68.2%) of all auditors and users of financial statements do not think current corporate reporting enables them to gain enough information on a company's value and value-creating potential. Of this group, a majority (58.4%) think <IR> would help to improve corporate reporting.

When asked about the potential benefits that <IR> could bring, survey participants see scope for improved transparency and governance reporting, improved communications with external stakeholders, and the promotion of integrated thinking through breaking silos within organisations. Few, however, acknowledge benefits such as the potential to increase share price, despite evidence showing this to be one positive result of <IR> adoption.

## PERCEIVED CHALLENGES IN <IR> ADOPTION

Both preparers of corporate reports and non-reporters anticipate <IR> benefits to be outweighed by costs and the effort involved. Many survey participants foresee a range of challenges in <IR> adoption. They are particularly concerned about the cost of <IR> preparation (identified as a 'top three' challenge by 47.0% of respondents), the lack of guidance on how to prepare an integrated report (a top three challenge for 46.1%), and the lack of necessary connectivity and integration processes within organisations (40.9%).

However, there are support and various readily available resources to help organisations tackle the perceived challenges involved in <IR> adoption. For example, the International Integrated Reporting Council (IIRC) promotes a range of resources on its own website, including case studies from early <IR> adopters, research materials and guidance developed by third parties.

<sup>1</sup> Where relevant in this report, the comparison is made between the responses of corporate report preparers and those of non-reporters which include auditors, consultants, investors and other users of financial statements. For simplicity, the latter group is referred to as "non-reporters" or "auditors and users of financial statements".

### PRIMARY RECIPIENTS AND PREPARERS

Most survey participants identify current and potential investors as the primary recipients of integrated reports (identified by 73.0% and 69.7% respectively). Analysts and regulators are also seen as primary recipients by many, while some respondents think <IR> would also be of interest to the general public, customers and suppliers.

Survey participants typically place primary responsibility for preparing an integrated report with top management: 59.4% identify the CFO, 50.0% the CEO and 41.2% the Board of Directors as having the main responsibility. 66.4% of the respondents also believe that there should be a requirement for those charged with governance to include a statement acknowledging their responsibilities over the <IR>. A not insignificant proportion of respondents (14.9%) surprisingly allocate responsibility to the auditors as well, even though preparing financial statements and corporate reporting is clearly the responsibility of management and boards.

### NEED FOR ASSURANCE OF <IR>

Almost half (49.2%) of all survey respondents think stakeholders will require an integrated report to be audited in order for them to rely on it, while only 9.9% do not expect stakeholders to require audit activity. The rest of the respondents were unsure about this.

When we asked the respondents on their perceived level of assurance needed in the various content elements on an <IR> report, many survey participants believe some level of 'reasonable assurance' is likely to be required for information about a company's performance (selected by 63.3% of respondents), governance (60.9%) and the basis of preparation (57.7%). When asked about the need for assurance of the entire integrated report taken as a whole, prepared in accordance with the International <IR> Framework, the percentage of respondents seeing value in such assurance rises to 82.2%. Conducting assurance by reference to the International <IR> Framework should ensure some comparability of approach and give investors greater reassurance that an integrated report's contents are reliable when forming views on an organisation's value-creating potential over the short, medium and long term.

### STIMULATING TAKE-UP

Take-up of <IR> has been low so far in Malaysia. This may explain why a higher proportion of respondents opt for a regulatory approach to implementing <IR> in Malaysia, with 38.7% choosing 'apply or explain' approach and 26.9% choosing a mandatory requirement. In comparison, 32.3% of respondents would prefer a market-driven approach, which is consistent with what the IIRC has promulgated.

A market-driven approach is more likely to succeed if businesses and investors believe Malaysia and individual Malaysian companies will benefit from <IR> adoption.

Over half (54.1%) of all respondents are convinced that the widespread use of <IR> by companies in Malaysia would make it a more attractive place to do business, 34.4% of respondents are uncertain and only 11.5% disagree.

We also asked survey participants whether use of <IR> would make Malaysian businesses themselves more attractive to investors. Respondents are even more positive in their assessments, with 61.8% believing Malaysian businesses would have more investor appeal. Just under a third (30.6%) are unsure.

### SUPPORT NEEDED

A regular theme of this survey is the need for support for businesses – to increase knowledge of <IR> and help them tackle implementation challenges. Technical and preparation advice is the priority form of support that participants would like to see provided by government and industry associations. When asked what support professional accounting bodies could provide, research on the benefits and costs of <IR> tops the list, followed by the conducting of training seminars and workshops, and the provision of technical advice and consultancy.

Finally, 62.1% of all survey respondents believe that an internationally-recognised training syllabus for <IR> would be valuable to them when considering how to obtain skills and knowledge in this area. The finding once again confirms the demand for authoritative training and information on <IR> so that members of the reporting, auditing and financial statement user communities can fully understand the potential benefits of <IR> adoption, implement it effectively and make best use of the information it presents.

### NEXT STEPS

As this survey has confirmed, professional accountancy bodies such as the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants (ACCA) have important roles to play in conducting research, initiating training seminars and promoting technical and practical guidance materials. There is clear interest in <IR> in Malaysia and strong demand to know more about how its adoption could boost corporate performance and attract more international investment.

Filling this knowledge gap should be seen as a vital activity – a necessary first step in order to raise awareness of <IR> and its benefits, build momentum for <IR> adoption within Malaysian companies, and ensure advisers and auditors have the necessary expertise to support clients in fulfilling their corporate reporting ambitions. All these are in line with the strategic plan of the Integrated Reporting Steering Committee (IRSC), which was established within the MIA.

# Introduction

The MIA and ACCA Malaysia jointly conducted a survey of corporate report preparers and users of those reports, seeking to gain insights into their current thinking on the benefits and challenges associated with <IR>.

This survey is part of ACCA's contribution to the IRSC, which was established in Malaysia under the auspices of the MIA in December 2014 with the objectives of performing research and shaping thinking on <IR>, promoting the adoption of <IR> in Malaysia, providing support to organisations adopting <IR>, engaging businesses in shaping the continued development of <IR>, and giving recognition to <IR> adopters.

In 2015, the IRSC undertook a number of activities to promote <IR>, including participation in the International Integrated Reporting Council's (IIRC) <IR> Business Network, conducting an investors' roundtable and an engagement session and focus group dialogues with selected public listed companies (PLCs), and publishing articles on <IR> in the MIA's magazine, *Accountants Today*.

This survey of corporate report preparers and users represents another important element of the IRSC's recent work. The survey identifies the levels of knowledge of <IR> among businesses and their readiness to adopt it, the <IR> adoption challenges that businesses perceive, and the support they require in order to implement <IR> successfully within their organisations. The survey also addresses a number of other issues, such as the level of support for <IR> among investors and other users of corporate reports, any factors holding back <IR> adoption (such as lack of knowledge), and what assurance users of reports think <IR> should have. Participants were also asked about the topics they would like to see covered during a future <IR> conference in Malaysia.

The survey ran from 13 August to 14 September 2015 and was sent to all MIA members, ACCA members in Malaysia and attendees of <IR> roundtables held by the MIA. It attracted 330 respondents, with a good representation from both corporate reporters and users of financial statements. Survey participants include senior business leaders such as chief executives, chief financial officers and board members (from both PLCs and unlisted businesses), auditors, academics, regulators and consultants.

The survey questions were based (with some modifications) on an earlier survey conducted by the Institute of Singapore Chartered Accountants and the National University of Singapore. Their findings are available in the report, *ISCA-NUS Integrated Reporting Survey 2014* (thereafter referred to in this report as 'the ISCA-NUS survey'). Comparisons between the findings of the two surveys are highlighted in this report where appropriate.

# Survey findings

## PROFILE OF RESPONDENTS

Our survey generated a total of 330 valid responses. The vast majority of survey respondents (84.6%) are MIA members, while 44.2% are members of ACCA. However, some of the respondents hold multiple memberships with other professional bodies as well, such as the Malaysian Institute of Certified Public Accountants (MICPA), the CPA Australia, the Chartered Institute of Management Accountants (CIMA) and the Institute of Chartered Accountants in England & Wales (ICAEW), among others.

Survey respondents are relatively evenly split between corporate report preparers and non-reporters. Corporate report preparers (54.8% of all respondents) include individuals in the finance function such as chief financial officers and accountants, as well as CEOs, board committee members, corporate communication specialists and sustainability practitioners. The non-reporters (45.2% of all participants) include a strong representation of auditors and investors, as well as consultants, regulators and 'others' such as academics and lecturers. The ISCA-NUS survey included a slightly higher proportion of corporate report preparers (63.2%), with non-reporters accounting for 36.8% of total respondents.

Corporate report preparers participating in the survey operate in many different sectors, particularly manufacturing (18.2%), construction and real estate (15.5%) and financial services (8.8%). The majority (68.0%) of their companies are listed on the stock exchange, while 32.0% are unlisted.

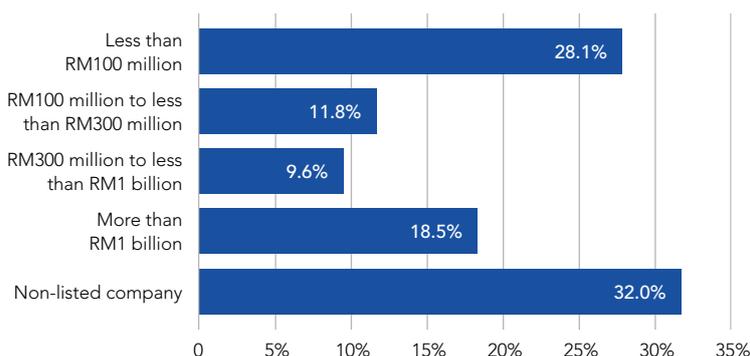
All sizes of listed companies are included: 28.1% of the corporate report preparers in our sample work in companies with a market capitalisation of less than RM100 million, while 18.5% are in companies with a market capitalisation of more than RM1 billion. 21.5% of the corporate report preparers work for a government-linked company.

In the ISCA-NUS survey, a majority (53.3%) of survey respondents worked in unlisted companies, while 24.4% worked in companies with a market capitalisation of less than S\$300 million and 12.6% worked in companies with a market capitalisation of more than S\$1 billion. 9.6% worked in companies with a market capitalisation of between S\$300 million and S\$1 billion.

### COMPOSITION OF RESPONDENTS

Corporate Report Preparers I (Audit Committee, Independent Directors, Board Member)	44	13.3%
Corporate Report Preparers II (CEO)	9	2.7%
Corporate Report Preparers III (Finance function including CFO, Financial Controller, Accountant)	125	37.9%
Corporate Report Preparers IV (Others e.g. Corporate Communication, Sustainability Practitioner)	3	0.9%
Auditors	78	23.6%
Consultants	28	8.5%
Investors (e.g. Shareholders, Analysts)	16	4.9%
Regulators	6	1.8%
Other (please state)	21	6.4%
<b>TOTAL</b>	<b>330</b>	<b>100.0%</b>

### Status of respondents by market capitalisation



# Survey findings

## KNOWLEDGE OF <IR>

Current levels of <IR> knowledge in Malaysia, as revealed in our survey, are low. We asked survey participants to rank their level of knowledge of <IR> on a scale from one (no knowledge) to five (in-depth knowledge). Just over half (51.0%) place themselves in the lowest two categories, indicating that they have below average level of knowledge of <IR>. Only 13.0% rank themselves in the top two knowledge categories, categorising themselves as having higher than average level of knowledge in <IR>.

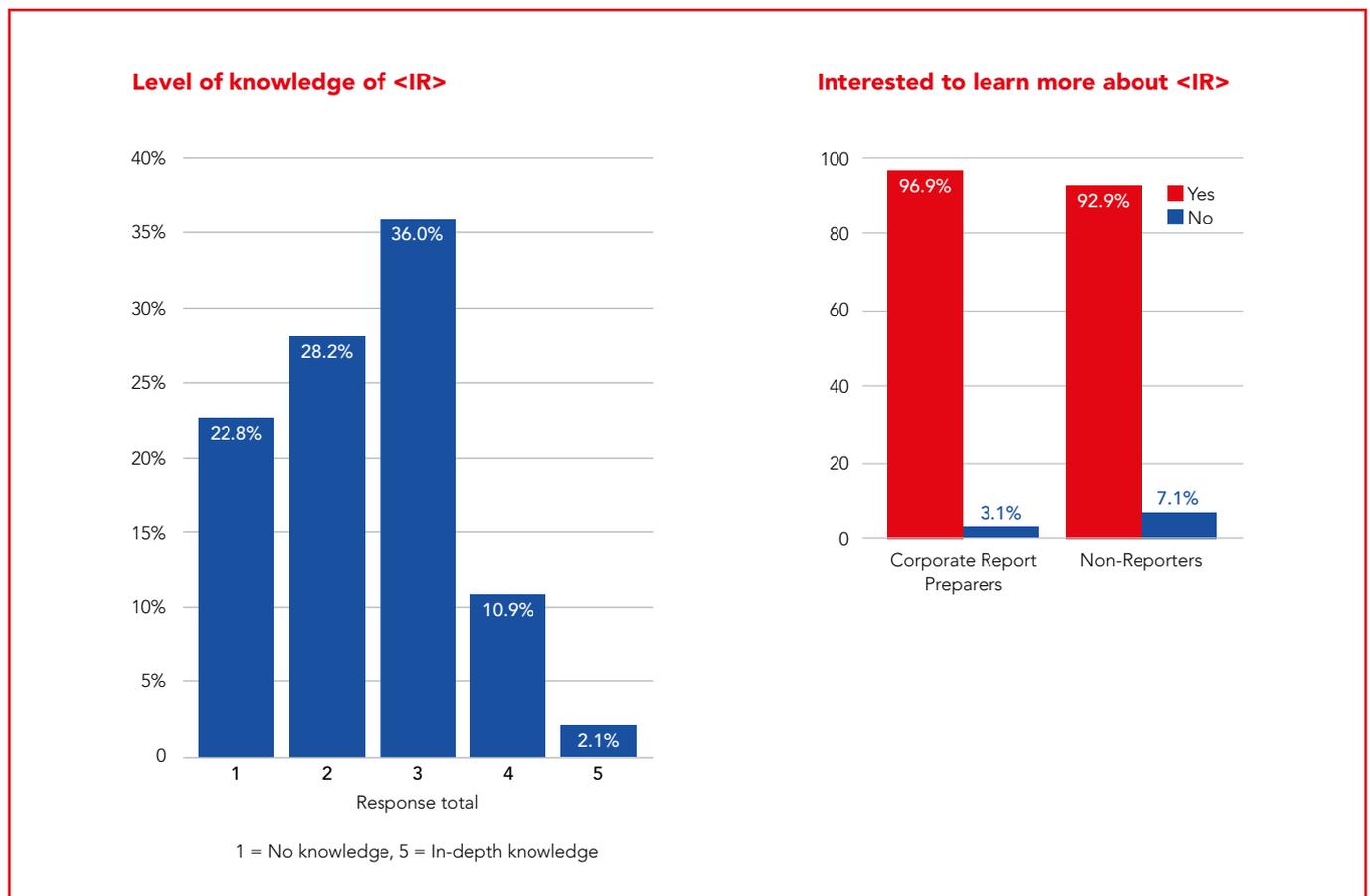
In the ISCA-NUS survey in Singapore, an even greater percentage (66.7%) of respondents identified themselves as having below average knowledge of <IR>. However, a similar proportion (12.5%) ranked themselves as having above average <IR> knowledge.

In Malaysia, corporate report preparers are more likely to say they have little or no knowledge (54.1% doing so) than auditors and users of financial statements (47.0%). At the other end of the knowledge scale, non-reporters are twice as likely as corporate report preparers to claim higher knowledge: 18.1% of auditors and users say they have good or in-depth knowledge, compared to just 8.8% of preparers.

We found no evidence of greater understanding of <IR> among corporate report preparers from listed companies. Only 6.6% of listed company preparers have good or in-depth knowledge of <IR>, two percentage points less than the 8.8% of preparers overall.

The low levels of knowledge we have found is understandable given that <IR> is a relatively young initiative globally, and take-up by companies in Malaysia has so far been limited. Our recent engagement with PLCs revealed that, as of 31 December 2015, less than 10 were actively pursuing the adoption of <IR>.

Although our survey finds generally low levels of <IR> knowledge, survey participants are clearly keen to learn more. Among participants who rank themselves as having lower than average level of knowledge in <IR>, 96.9% of corporate report preparers and 92.9% of non-reporters say they plan to know more about <IR>. Some survey participants provide additional comments, confirming that they would welcome training, articles (for example, in the MIA's *Accountants Today* magazine) and the dissemination of research findings to help them gain the additional knowledge of <IR> that they seek.



**Board discussion**

	DISCUSSED AT BOARD?			CONSIDER ADOPTING?		
	Country	Malaysia	Singapore	Country	Malaysia	Singapore
<b>Level 3 to level 5 knowledge level [where 1 = No knowledge; 5 = In-depth knowledge]</b>	Yes	31.3%	15.6%	Yes	53.8%	71.4%
				No	–	28.6%
				Maybe	46.2%	–
	No	68.7%	84.4%	Yes	15.8%	44.7%
				No	19.3%	55.3%
				Maybe	64.9%	–

Among preparers with some knowledge of <IR> (ranking themselves at levels three to five), a little over a quarter (27.7%) indicate that their company would consider adopting <IR>, while another 60.2% are unsure. Only 12.1% rule it out – and in none of these companies has <IR> been discussed at the board level.

Only 31.3% of corporate report preparers with some knowledge of <IR> say that <IR> has been discussed at the board level. None of this group rules out the possibility of adopting <IR>. A majority (53.8%) say their company would consider it, while 46.2% are unsure. Not surprisingly, among the 68.7% who report that <IR> has not been discussed at the board level, respondents are much less likely to say their company would consider adopting it – just 15.8% doing so while 64.9% say maybe.

In the ISCA-NUS survey, only 15.6% of corporate report preparers with some knowledge of <IR> said that <IR> had been discussed at the board level. Of this group, 71.4% said their board would consider adopting <IR>, but 28.6% said they would not. (Note that survey respondents in Singapore were not given the option of a ‘maybe’ response.) Of the 84.4% of respondents in the Singapore survey who said that <IR> had not been discussed at board level, 44.7% said they would consider adopting it.

These findings suggest that encouraging greater awareness and discussion of <IR> at the board level is important for encouraging its wider adoption in future. Once boards consider the potential benefits of <IR>, they appear open-minded to considering its introduction in their organisation. Boardroom backing for <IR> becomes particularly important once organisations begin adopting new initiatives such as <IR>, as our previous engagement with business leaders has confirmed. Buy-in from board members is vital for making sure that new initiatives become properly embedded in management practices.

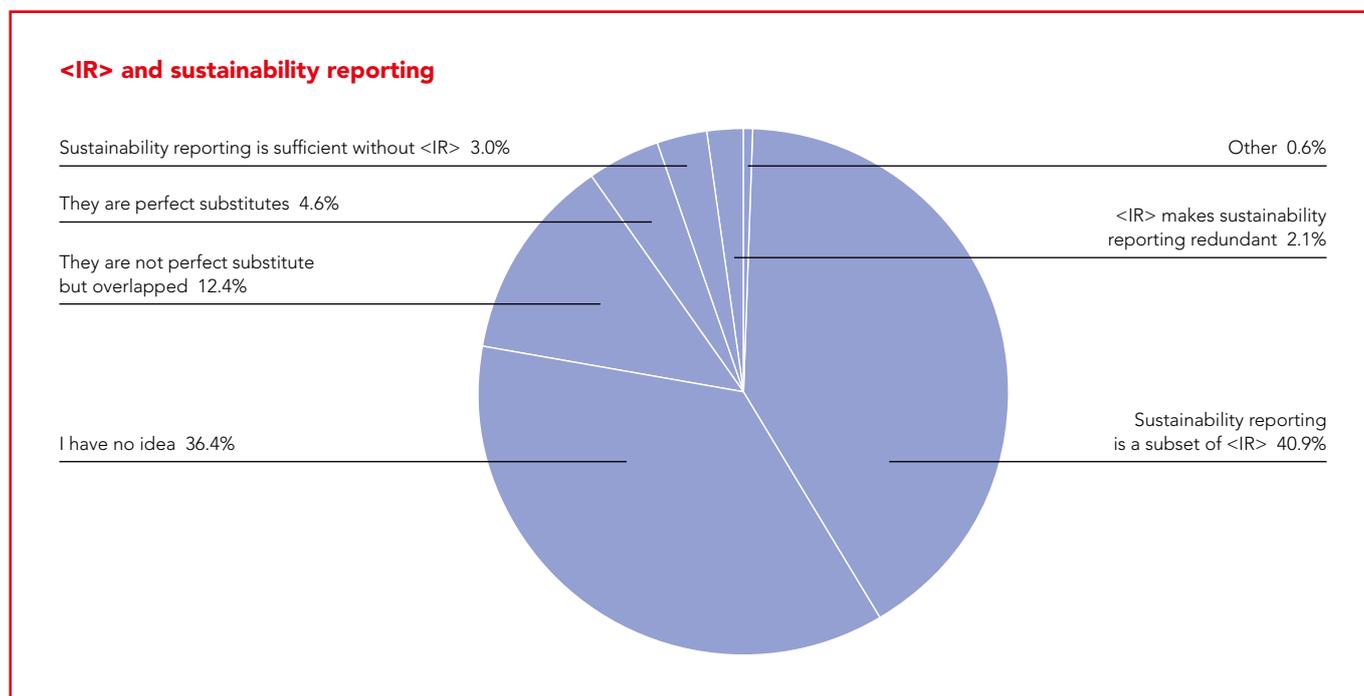
Some survey respondents, although appreciating that <IR> could enhance corporate governance, express concern that it could potentially ‘add to the burdens of doing business’ in difficult economic times. It is important to note that adoption of <IR> is entirely on a voluntary basis for now, a decision that has to be driven by the benefits to the company’s own internal management and performance, and benefits that are expected to accrue to users of the reports. We consider such potential benefits later in this report. It is also worth highlighting here that <IR> does not necessarily require incremental information to be disclosed by companies, but instead provides a framework for presenting within the report, financial and other information relevant to value creation in an integrated and coherent way.

**User advocacy**

Among auditors and users of financial statements with at least some knowledge of <IR> (in the top three knowledge rankings), only a third (32.5%) describe themselves as active advocates of <IR>. This reinforces the need for more knowledge sharing and communication of the impact <IR> can have on application of ‘integrated thinking’ in the companies, and on the greater insight users of financial statements can gain into how companies create value.

Non-reporters, alongside corporate report preparers, need reassurance that <IR> genuinely provides useful information and improves the transparency of corporate reporting. As one survey participant comments, there is no point in the initiative if it is ‘only done for compliance’.

## Survey findings



In practice, there is often confusion over whether there is any difference between <IR> and sustainability reports. We posed the question to the survey participants. Over a third (36.4%) of the respondents confesses that they have no idea. The largest percentage (40.9%) think that sustainability reporting is a subset of <IR>. In fact, <IR> and sustainability reporting are not perfect substitutes but the two approaches overlap. Only 12.4% of the respondents in Malaysia demonstrate the correct understanding. In the ISCA-NUS survey, 26.7% of their respondents got it right.

In the evolution of corporate reporting, sustainability reports represent an earlier appreciation of the importance of additional (not purely financial) information to investors and other stakeholders. Sustainability reports traditionally cover environmental, social and governance (ESG) topics, and typically aim to provide readers with insights into issues such as a company's greenhouse gases emissions and involvement with society. However, as set out in the Bursa Malaysia's Main Market and ACE Market Listing Requirements released in October 2015, sustainability reporting in Malaysia encompasses material economic, environmental and social risks and opportunities of an organisation. Another characteristic of sustainability reports is that they are often standalone documents, not necessarily explicitly relating to the financial performance of the organisation.

<IR> aims to present the providers of financial capital with a more holistic, integrated view of corporate performance. The IIRC's International <IR> Framework provides a model for representing all the resources and relationships that organisations use to create value. It identifies six 'capitals': financial, manufactured, human, social and relationship, intellectual and natural. ESG content, to the extent relevant to the value-creation capability of the organisation, would be presented as part of these capitals.

The IIRC's International <IR> Framework defines an integrated report as follows: 'An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.' The concept of sustainability therefore underpins <IR>.

The Corporate Reporting Dialogue (CRD) brings together the key global corporate reporting standard setters and framework providers with an aim to promote greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. The CRD website contains a helpful Landscape Map comparing the purpose of the International <IR> Framework to that of other reporting initiatives (including sustainability reporting under the Global Reporting Initiative, GRI). The map indicates how the scope and content of those initiatives relate to the IIRC's Framework (see <http://corporatereportingdialogue.com/landscape-map/>).

## AWARENESS OF <IR> BENEFITS

Among corporate report preparers surveyed, 28.3% think that the current corporate reporting framework does not allow them to adequately communicate the value and value-creating potential of their company to investors and other stakeholders. Another 32.2% are unsure.

Concern with current corporate reporting is even more evident among the non-reporters. Over two-thirds (68.2%) of all non-reporters we surveyed do not think current corporate reporting enables them to gain enough information on a company's value and value-creating potential. Among investors specifically, 65.5% find current corporate reporting inadequate.

WILL <IR> HELP TO IMPROVE CURRENT CORPORATE REPORTING?	CORPORATE REPORT PREPARERS	NON-REPORTERS
Yes	51.4%	58.4%
No	4.4%	6.7%
Maybe	44.2%	34.9%

These results provide strong evidence of frustrated demand for clearer reporting of how companies create value and their potential to do so in future. Given its value-creation focus, wider adoption of <IR> by companies could help to meet investors' and other users' information needs.

In fact, both corporate report preparers and non-reporters think <IR> could improve the current situation. Just over half (51.4%) of preparers and 58.4% of non-reporters

believe that <IR> will help to improve the current corporate reporting of their company. Of this group, 55.9% say their company would or might consider adopting <IR>.

Many survey respondents, however, are currently unsure of the potential impact <IR> could have on corporate reporting (44.2% of preparers and 34.9% of non-reporters). This finding emphasises the need for a range of activities such as training and the dissemination of guidance and research to increase understanding of <IR> among both preparers of financial statements and their auditors and users. Later in this report we consider the type of support that bodies such as the MIA and ACCA could provide.

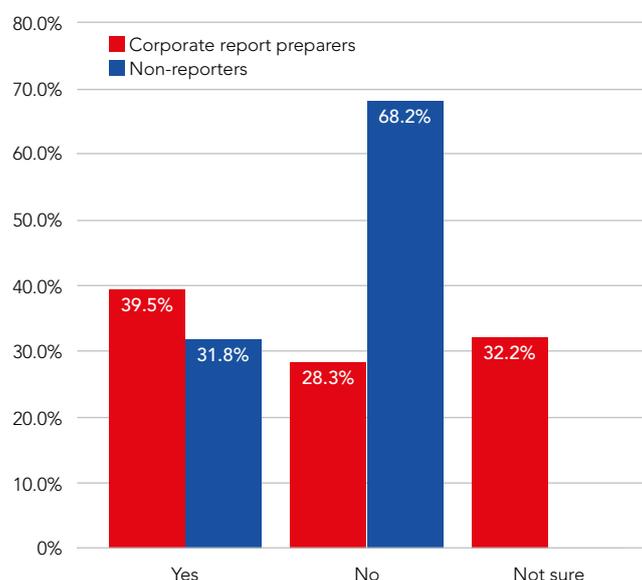
## Perceived benefits

Focusing on survey respondents who think <IR> could improve corporate reporting, we asked this group to identify perceived benefits from a list, selecting as many as they liked. The dominant benefits they perceive are as follows:

- Improved transparency and governance reporting (identified by 85.6% overall);
- Improved communications with external stakeholders (identified by 82.8%); and
- The promotion of integrated thinking through breaking silos within organisations (identified by 58.9%).

The views of corporate report preparers and non-reporters are closely aligned here, with both types of respondents ranking the top three perceived benefits in the same order. The ISCA-NUS survey also identified the same top three benefits, suggesting strong consensus on the potential advantages to be gained from <IR> adoption.

### Sufficiency of information under current reporting framework



## Survey findings

Investors are particularly likely to anticipate these benefits, with 96.8% highlighting expected improved transparency and governance reporting, 80.6% improved communications with external stakeholders and 74.2% the promotion of integrated thinking. This last result is particularly striking when compared to the 57.0% of corporate report preparers who see this particular benefit of <IR>. It is not clear why reporters are more sceptical about the potential to break down internal silos. However, these results reinforce the realisation that companies, even when complying with regulations (such as the provisions of the Companies Act 1965, Bursa Malaysia's listing requirements and Bank Negara's guidelines), are still failing to meet investors' information needs. The fact investors are so likely to identify benefits arising from <IR> indicates they see substantial scope for improvement.

Some survey participants identify with other benefits that <IR> can bring, including easier access to capital (perceived by 23.3%), an increased share price (14.4%) and a lower cost of capital (13.3%). However, the relatively low percentages here show that corporate reporters and users of reports do not fully appreciate the potential benefits of <IR>. For example, 14.4% of participants are optimistic that <IR> will lead to increased share price. A study by KPMG Singapore and the National University of Singapore (NUS) Business School found that share price returns for companies that adopt <IR> or sustainability reporting are consistently higher. The report, *Towards Better Business Reporting: Integrated Reporting and Value Creation*, found that an investment portfolio consisting of companies that had adopted <IR> or sustainability reporting 'tended to yield a much higher return over time for a given level of risk'. The researchers concluded: 'In summary, this study suggests that capital markets are likely to reward firms that adopt the <IR> Framework. It helps firms rethink and integrate their strategies

and business models in line with stakeholder expectations. At the same time, it helps them focus on the aspects that can materially affect their long-term ability to create value.'

### How do perceived benefits relate to anticipated costs and effort?

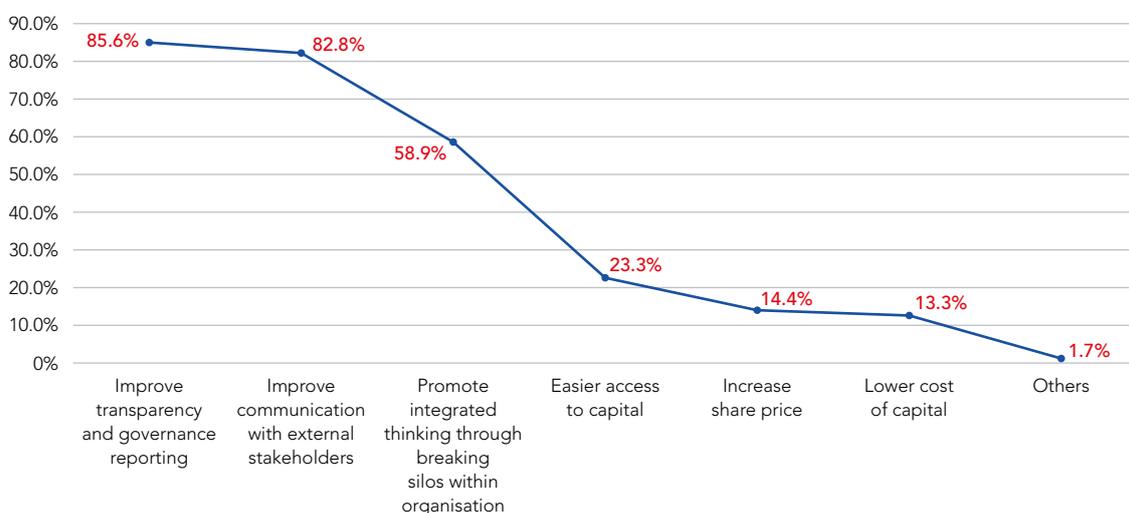
Focusing further on survey respondents who think <IR> could improve corporate reporting, we asked this group to score the benefits of <IR>. For corporate reporters, we also asked on the expected cost of <IR> activity and the expected effort involved in <IR>. Participants were asked to use a baseline of 50 for current benefits derived from corporate reporting, the current cost of preparing corporate reports and the current effort involved. For example, if they thought the benefits of reporting would increase by 10% under <IR>, they would give a benefit score of 55.

MEAN FOR	BENEFITS	COST	EFFORT
Overall	71.3	73.7	76.1
Preparers	70.3	73.7	76.1
Non-preparers	72.2	–	–

The scores given by survey participants indicate they think <IR> would bring considerable value to corporate reporting, generating an overall benefit score of 71.3. However, survey respondents also gave the perceived cost of <IR> reporting a score of 73.7 and the perceived effort a score of 76.1.

Preparers – even those who look favourably on <IR> because they think it could improve corporate reporting – think that the effort and cost would outweigh the benefits. This result is consistent with feedback gained during the IRSC's Engagement Session with PLCs in August 2015,

### Perceived benefits in adopting <IR>



where some participants expressed concerns about the likelihood of increased work and costs associated with <IR>, and some queried whether investors really want <IR>.

The fact that effort is scored so highly may partly reflect the limited knowledge of the <IR> process among some survey participants. It is also likely to reflect concerns about the challenge involved in integrating all the different units within an organisation, as is required if real <IR> is to be achieved. Apart from costs and efforts, the range of challenges anticipated when implementing <IR>, and some of the resources available to help address them, are considered in the next section.

### PERCEIVED CHALLENGES OF <IR>

All survey participants were asked what they see as the three main challenges in adopting <IR>. Emerging at the top of the list is the cost of <IR> preparation (a top three issue for 47.0% of respondents). This finding echoes the high score given to perceived costs even by participants who see value in <IR>. Some respondents clearly doubt whether the benefits of <IR> would outweigh the costs. One comments: 'Adopting <IR> may further increase the cost of doing business. Annual Reports are already overly lengthy. How many investors will really read and understand <IR> if they do not even read or understand the full Annual Reports?' This comment perhaps underlines a common misconception that <IR> is more complex and demands specialised knowledge to comprehend.

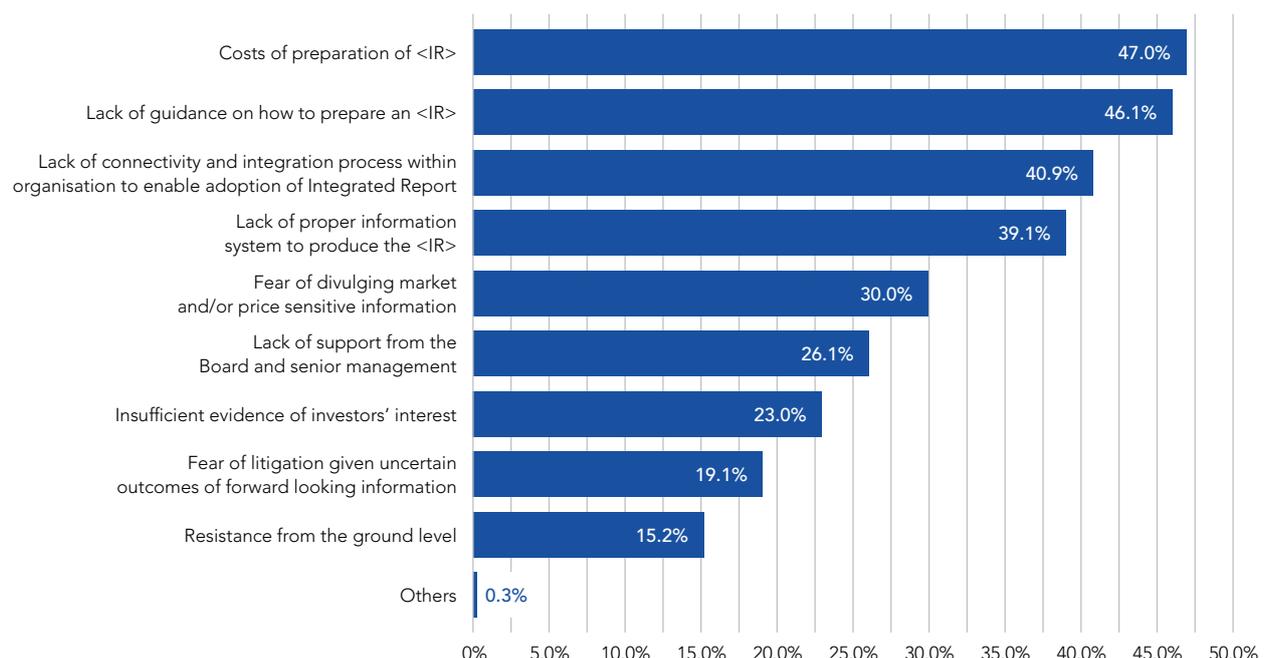
There is an opportunity to educate all stakeholders including the investors on what an <IR> really is about.

The lack of guidance on how to prepare an integrated report is also a key challenge in the eyes of 46.1% of the respondents. This concern comes through strongly in responses to later survey questions asking about the support participants would like when adopting <IR>, where technical advice and training are common requests.

The third-ranked perceived challenge is the lack of necessary connectivity and integration processes within organisations (40.9%). Similarly, the lack of proper information systems to produce <IR> is seen as a substantial challenge (identified by 39.1%). Organisational challenges are also identified in a number of respondents' comments. One suggests that some managers would 'refrain from divulging their strategies, the source and drivers that creates value for the business'. Another refers to a lack of 'even basic understanding' among management of how to integrate processes such as 'financing reporting, sustainability quality, fraud, etc'.

A substantial proportion (30.0%) of survey participants are concerned about the fear of divulging market and/or price sensitive information. One acknowledges that <IR> would provide more balanced reporting to all stakeholders, but identifies the need for balance in order to avoid disclosing 'too much sensitive information'.

### Overall perceived challenges in adopting <IR>



## Survey findings

Lack of support from the board and senior management is a challenge identified by 26.1% of respondents. As previously highlighted, board commitment and backing is vital for any major initiative within an organisation, and <IR> is no exception. Other respondents note the need for buy-in across the business, with one identifying the potential risk of a box-ticking mindset if there is push for <IR> 'from the top' but 'insufficient buy-in from preparers'. However, survey participants are least concerned about the risk of ground level resistance to <IR> within organisations, which is identified as a challenge by only 15%.

23.0% of survey participants think that there is insufficient evidence of investor interest, which pose a challenge to <IR> adoption. One respondent weigh in on this perceived lack of interest, commenting that investors have the objective of 'mere gain on capital and dividends'. This suggests that there is opportunity to more clearly communicate to different players in the corporate reporting value chain, including investors, the broader and more value-relevant information conveyed in an <IR> as well as the potential positive impact an <IR> adoption can have on an organisation's capability to create value.

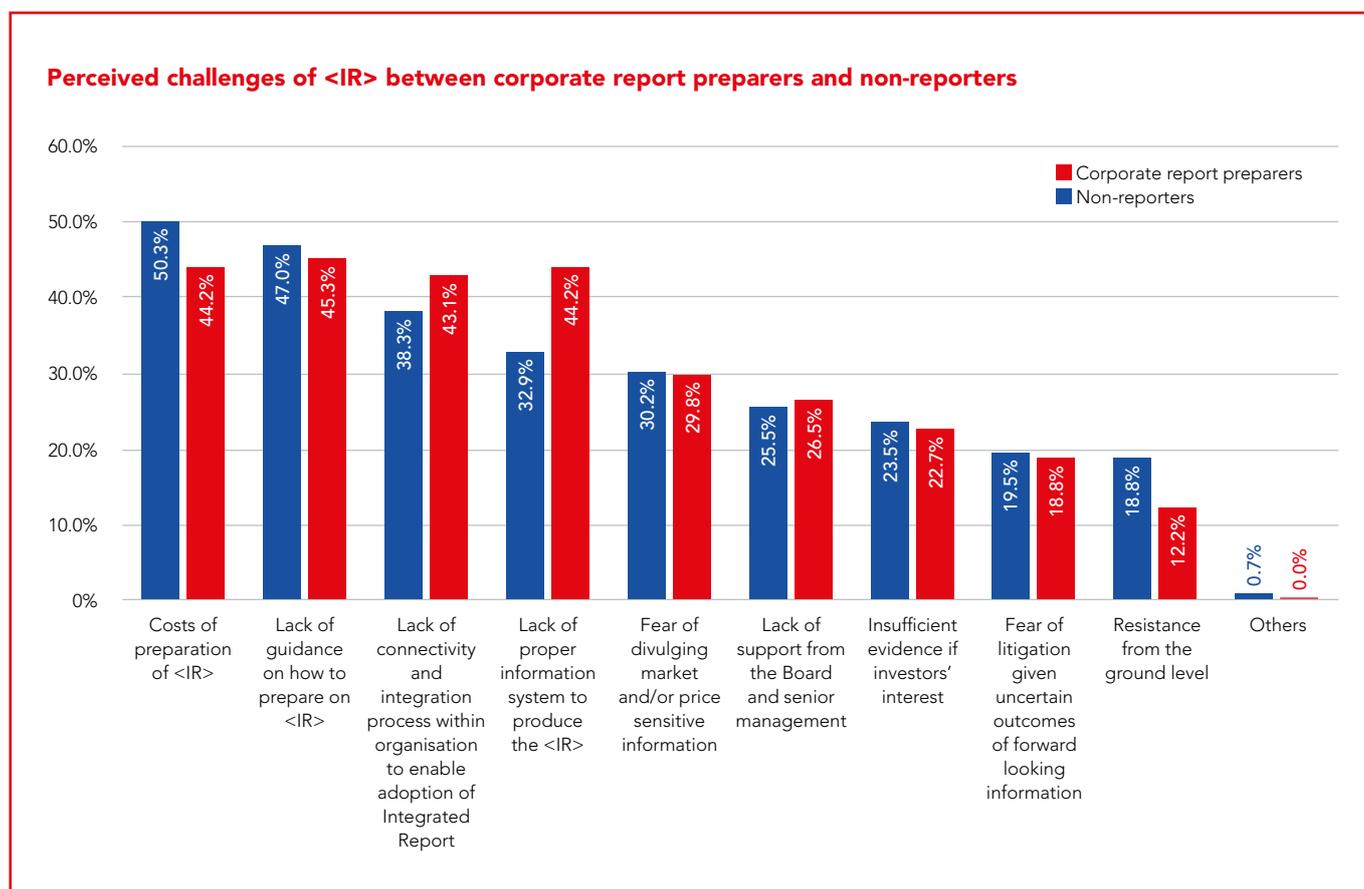
Almost one in five (19.1%) of respondents see a hurdle arising from fear of litigation given the uncertain outcomes of forward-looking information that might be included in an <IR>. It should be clarified that the International <IR>

Framework is principle-based and does not prescribe the specific content. Companies need to use their judgement to determine what is considered material information that should be included to give readers a better understanding of their value creation potential.

How do these findings compare with those of the ISCA-NUS survey? Costs of preparation also came top of the list of challenges (identified by 63.0%). However, the challenge ranked second in the Singapore survey was the lack of proper information systems to produce <IR> (54.8%). Fear of divulging market and/or price sensitive information was also a bigger concern among the Singapore survey respondents: 41.5% identified this challenge, the same percentage as highlighted the challenge of lack of connectivity and integration processes within organisations. (Note that the Singapore survey did not give respondents the option of choosing lack of guidance on how to prepare an <IR>.)

### Do corporate report preparers and users agree?

The responses of auditors and users of financial statements mirror these overall findings, with the same top four challenges emerging. Half (50.3%) of non-reporters identify costs as a key challenge while 47.0% identify lack of guidance and lack of connectivity and integration processes within organisations (38.3%) as well as lack of proper information system to produce <IR> (32.9%).



Preparers of corporate reports hold slightly different views. Though they have the same top four challenges, the lack of guidance on how to prepare an integrated report is their perceived biggest challenge (identified by 45.3%), closely followed by costs (44.2%), the lack of proper information systems (also 44.2%) and the lack of connectivity and integration processes (43.1%). These challenges were also identified by companies taking part in the IRSC's Engagement Session with PLCs on 6 August 2015. Some concerns were expressed particularly about the likelihood of increased costs from implementing <IR> and the challenge of overcoming silos and lack of connectivity within organisations.

Tackling these challenges is not necessarily easy or straightforward, but an increasing range of resources is available to corporate reporters and their advisers to help them implement <IR> successfully. An important first step is to achieve board level and company-wide buy-in for <IR>. This requires discussion and analysis of the relative costs and benefits of <IR> adoption. The IIRC has

produced a series of documents intended to highlight how <IR> creates value to different groups, such as company boards and investors. These can be accessed online (<http://integratedreporting.org/resource/creating-value-board/>).

The IIRC has also made available case studies (<http://integratedreporting.org/resources/>) sharing the experiences of organisations that have already begun their <IR> journey. Third party reports and guidance are also available through the 'Resources' section of the IIRC's website. These include, for example, ACCA and IMA report *From Share Value to Shared Value: Exploring the Role of Accountants in Developing Integrated Reporting in Practice*, an information paper from the Integrated Reporting Committee of South Africa looking at reporting on outcomes as well as the role of CFOs, a report from the Chartered Institute of Internal Auditors on the role that internal audit can play in <IR>, and a short report from the Institute of Singapore Chartered Accountants with case studies giving practical insights into how to implement <IR> in an organisation.



### CASE STUDY: Sime Darby Berhad's <IR> Journey

Sime Darby Berhad was the first company in Malaysia to publicly announce in 2014 that they would adopt the IR framework as part of their corporate reporting. Three years into their <IR> journey, we've asked the Group CFO, Datuk Tong Poh Keow, and their Head of Group Finance, Mustamir Mohamad, to share on their experience.

**Q1 How did <IR> help improve the current reporting of your organisation?**

It improved the consistency of the information being reported and provided a holistic overview of the organization. <IR> principles such as connectivity and materiality helps guide the type of information that would need to be included in the annual report.

**Q2 Do you believe that by adopting <IR> framework, it allows you to better communicate the value and value creating potential of your organisation to investors and other stakeholders?**

The discussion on the Group's business model and strategy in the annual report communicates to investors/other stakeholders on how the company creates value for its stakeholders. At Sime Darby, we also have an annual Investors Relation Programme which reaches out to the investment community on the strategy and performance of the group. However, the IR principles of consistency and connectivity help ensure the information communication through various channels is more consistent.

**Q3 What are the benefits you see in adopting <IR>? Can it be substantiated with tangible numbers?**

So far it is still early days for Sime to substantiate tangible benefits with numbers. We are in our third year of our <IR> journey and there are more improvements to be made. However, there are intangible benefits within the Group which <IR> has contributed e.g. improvement in the internal process on annual report preparation, breaking up the silo mentality in annual report writing, better linkages and connectivity in the content materials.

**Q4 What are the top 3 challenges you face in adopting <IR>? How did you overcome those challenges? Or are you still facing those challenges now?**

**a** Overcoming internal silos – more in terms of different contributors of information wanting their information/section presented in a certain manner. This is not a major challenge but the process can be further improved. Having senior management sponsor/supporting the project and having a good working relationships between the project manager(s) and the information providers is important.

**b** Concern on sensitivity of information being shared. However, this is mitigated by sieving through the information material and also if similar information is already publicly available through other channels (e.g. the company website and investor relation presentations).

**c** Instilling the integrated thinking to the report writers including the team in various divisions. Sharing of the Group's business model and strategy will help to get everybody on the same page.

**d** Ensuring connectivity and linkages of information within the annual report. Having a content guideline for each section of the annual report and an overall reviewer on contents help to overcome this challenge.

**Q5 Does it really increase the cost of preparing your corporate report when you started adopting <IR>?**

We took a staggered approach in the IR journey to avoid a sudden change in the preparation of the Annual Report. The project started with strong support and ownership from the key members of the Annual Report working team. The write ups and material were done internally as it was felt that the internal team knows the Company best. There was significant time invested by the internal team. The additional cost was the external consultant whose scope was limited to advise on best practice, disclosure presentation and connectivity of the report.

**Q6 How much more effort is needed to start doing <IR>?**

For the company as a whole, more focus on the alignment of internal information providers, better standard on editing and graphic presentation.

**Q7 What will be your advice to companies planning to embark on the <IR> journey?**

**a** The drive for the journey need to come or supported from the top (senior management).

**b** The support from the Board or Audit Committee is also critical. We need to be able to articulate why we need to make the change and the value it creates to the company with a more communicative annual report

**c** Engaging an external consultant can assist to accelerate the internal team understanding of the <IR> framework and the process that we need to undertake to make the changes.

## PRIMARY RECIPIENTS AND PREPARERS OF <IR>

Current and potential investors are seen as the primary recipients of integrated reports, identified by 73.0% and 69.7% of survey respondents respectively. Analysts (56.6%) and regulators (49.9%) are also considered primary recipients by at least half of corporate report preparers and non-reporters. However, wider audiences are also identified, such as the general public (35.2%), customers (27.5%) and suppliers (24.8%). A few respondents also suggest a number of other primary recipients, such as employees, members of the management team and competitors.

As explained in the International <IR> Framework, the primary purpose of an <IR> is to 'explain to providers of financial capital how an organisation creates value over time', with an aim to 'enable a more efficient and productive allocation of capital'. Current and potential investors, and in relation to them, the analysts, are therefore appropriately identified by the survey respondents as the primary recipients of integrated reports. Paul Druckman, IIRC Chief Executive, writes in *Creating Value: Value to Investors*: "Research indicates that investors use information on an increasing range of 'capitals' when making investment decisions, information that does not typically appear in traditional annual reports. <IR> aims to fill gaps, providing investors with insights in a broader context. It enables organisations to present this information in ways that help understanding of the business model, strategies and performance." (The report is accessible online via <http://integratedreporting.org/wp-content/uploads/2015/04/Creating-Value-Investors.pdf>.)

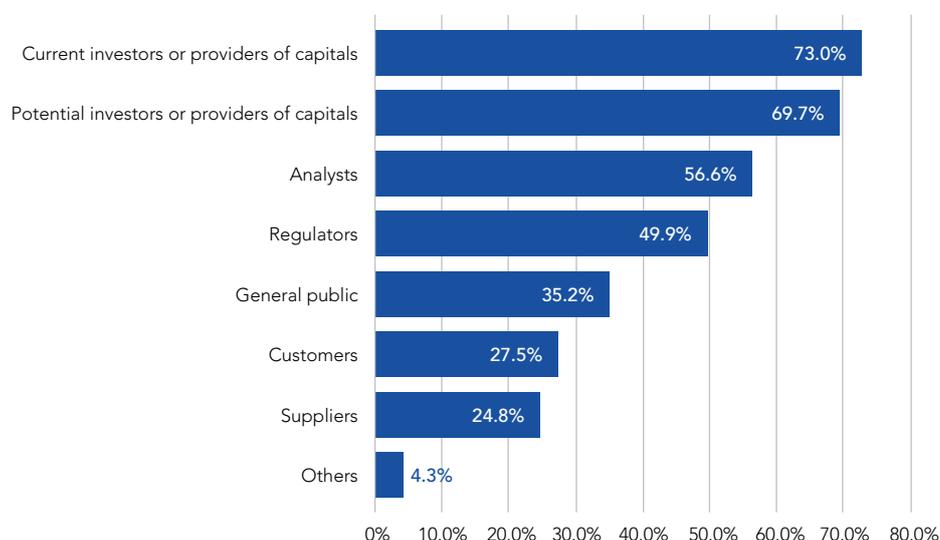
The IRSC's own engagement activities with investors and PLCs have also highlighted the value that <IR> can bring to investors. Our report on the Investors' Roundtable *Why is it Relevant to Investors* and engagement session with PLCs *Unlock Trust and Create Value* captures feedback gained during these events in August 2015. Pru Bennett, Director of BlackRock, the world's largest asset manager, spoke at the investors' event, noting that BlackRock surveys have found the current state of disclosure to be 'largely inadequate'. She said: "One of the main issues is that the information is produced by the company itself, and in many cases, is 'boilerplate' disclosure. It's tied to regulatory requirements and focuses on selected, traditional capitals while ignoring all the rest. Most of the time, it's decoupled from social aspects and future prospects, so how can investors benefit (from reading the report)? It should be focused on value creation."

Bennett also highlighted the strong, positive message that companies can send to investors when they apply <IR>. She said: "Implementing <IR> is a way of telling stakeholders that the company they are investing in is actually taking a holistic view of their interests by offering clean and concise reporting." IRSC's report is accessible online via [http://www.mia.org.my/new/ir\\_publications.asp](http://www.mia.org.my/new/ir_publications.asp)

## Responsibility for preparing an Integrated Report

Survey participants typically place primary responsibility for preparing an integrated report with top management: 59.4% identify the CFO, 50.0% the CEO and 41.2% the Board of Directors as having the main responsibility.

### Primary recipients of Integrated Report



# Survey findings

These business leaders are seen as the drivers of <IR> implementation, expected to set the objectives, assign governance and ensure that <IR> objectives are actually met.

Survey respondents also assign primary responsibility to a range of other participants in the <IR> process, including in-house sustainability practitioners (selected by 25.0%), corporate communications/PR (20.1%) and auditors (14.9%). The allocation of responsibility to auditors is a surprising finding, given that the preparation of financial statements is in fact the responsibility of management. This is the case with traditional financial statements and does not change under <IR>. It is important for the preparers and the users of financial statements to be aware of this segregation of duties and responsibilities: auditors provide assurance on, but do not prepare the financial statements.

## Responsibility statement

Two-thirds (66.4%) of all respondents think that those charged with governance over an integrated report should be required to include a statement acknowledging their responsibility. This view is particularly prevalent among auditors and users of financial statements, expressed by 75.8%. A majority of corporate report preparers (58.6%) also see the need for a responsibility statement requirement.

Given the range of views expressed as to who should have primary responsibility for <IR>, and the apparent confusion over the role of the auditors, a clear articulation of responsibility would provide helpful

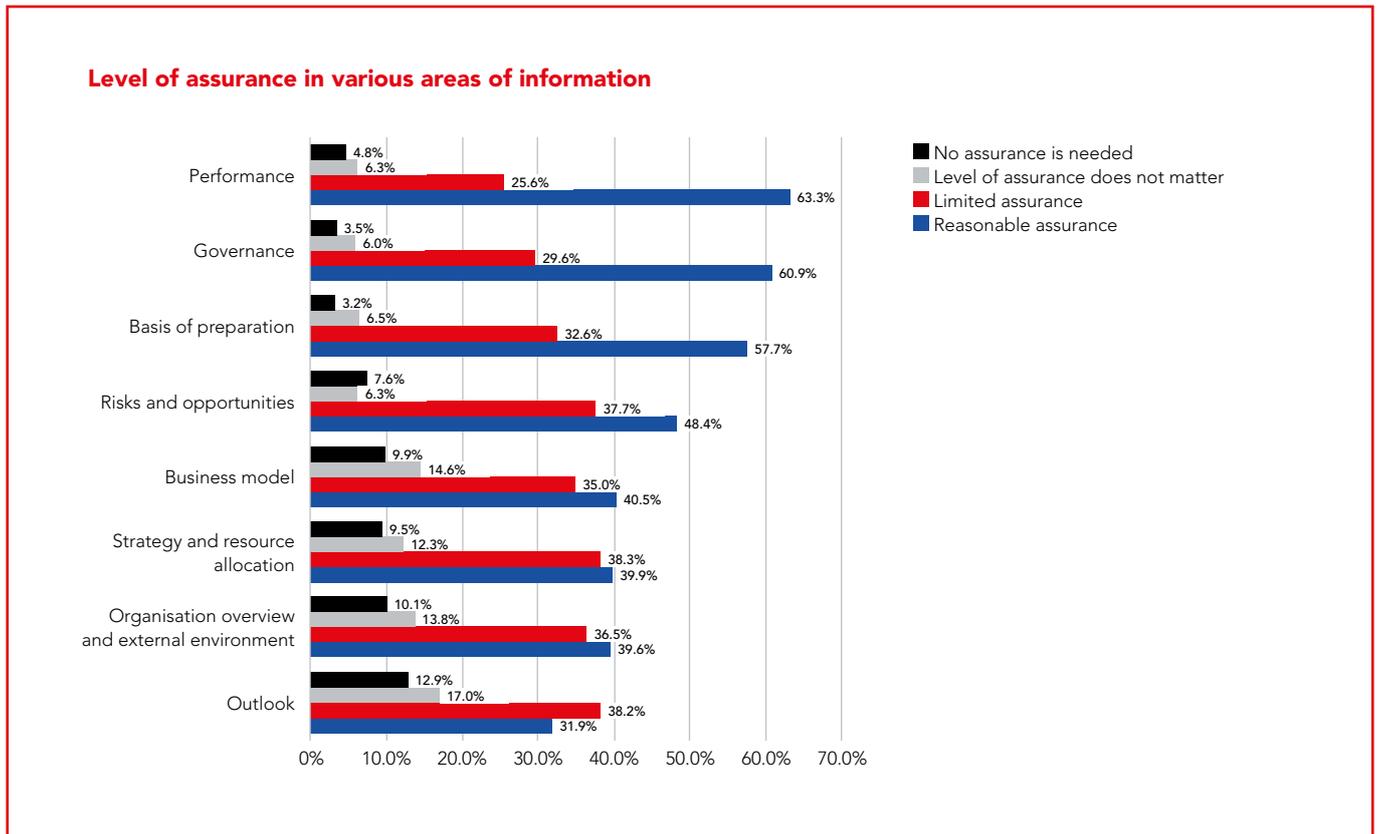
clarification. The Board of Directors or management should make their roles and responsibilities clear.

Several respondents comment that such a statement is important for transparency and increasing the actual and perceived accountability of those charged with governance over the <IR> process. Readers want to know that those charged with governance have applied their collective minds to the preparation and presentation of the <IR> so as to gain assurance over its integrity and credibility. As one respondent comments: "Tone from the top is central to its (IR's) success." However, some others express concern about the production of a responsibility statement becoming just another compliance activity that would increase business costs.

## NEED FOR ASSURANCE OF <IR>

Almost half (49.2%) of all survey respondents think stakeholders will require an integrated report to be audited in order for them to rely on it, with another 40.9% being unsure. Only 9.9% do not expect stakeholders to require audit activity. The results are relatively uniform across corporate report preparers and auditors and users of financial statements. The results are also consistent with those in the ISCA-NUS survey, where 50.4% of respondents thought <IR> should be audited, and only 12.6% thought it need not to.

This triggers the question: what information contained in an integrated report should be audited? What form or level of assurance is required?



For every category of information suggested in our survey, a majority of respondents think that either 'reasonable' or 'limited' assurance is required. Few believe that no assurance is needed or that the level of assurance does not matter.

Among survey participants overall, a majority believe that reasonable assurance is the most appropriate form and level of assurance required for information about a company's performance (selected by 63.3% of respondents), governance (60.9%) and the basis of preparation (57.7%).

Responses from corporate report preparers and non-reporters are generally aligned, although preparers are more likely than non-reporters to think reasonable assurance will be required for information on governance (66.5% of preparers do so compared to 54.2% of auditors and users), performance (68.2% of reporters compared to 57.3% of non-reporters) and strategy and resource allocation (43.6% of preparers compared to 35.4% of non-reporters), suggesting that users are more open than preparers think to accepting a lower level of assurance for these areas. Another key difference is that around one in five (21.3%) of non-reporters do not think the level of assurance matters in relation to information on the business model, compared to only 9.2% of corporate reporters. This seems surprising, given that understanding the business model is an important part of understanding business potential and performance.

The general desire for some form of assurance, whether reasonable or limited, on most areas of an integrated report does come through strongly from the survey results. This is particularly notable given that some of these subject areas are already disclosed in annual reports, but not audited. The survey findings therefore reveal appreciation of the value of assurance and corresponding demand for more assurance on current corporate reporting, even without the development of <IR>.

We also asked survey participants whether they think there should be assurance on the entire integrated report taken as a whole, prepared in accordance with the International <IR> Framework. The vast majority (82.2%) think there should be assurance of the entire report, with little variation in views between preparers and users of financial statements. This is reinforcing value of assurance as perceived by both corporate report preparers and users of <IR>. Conducting assurance by reference to the International <IR> Framework facilitate comparability of approach and give investors greater reassurance that an integrated report's contents are reliable when forming views on an organisation's value-creating potential over the short, medium and long term.

### Increasing the reliability of <IR>

We continue with the theme of reliability and present survey participants with three different ways in which reliability of <IR> can be increased. While none of the options garner a significant majority of votes, the largest proportion of respondents overall (42.2%) think there needs to be a 'combined assurance' approach, where management, internal auditors and external auditors share responsibilities for ensuring the reliability of <IR>.

30.6% of the respondents believe that ultimately <IR> will have to be subject to independent assurance (as financial statements currently are) in order to be truly reliable and useful. This is in fact the dominant view of CEOs surveyed, the only category of respondent to prioritise this approach over combined assurance.

One in five (20.3%) of all respondents think that in today's technology-enabled transparent world, corporate can only earn credibility and trust by constant communication and by their actions. A company's <IR> will then be naturally being policed by different stakeholders, including investors and customers.

Voluntary comments added by some survey participants emphasise the need for assurance provided on <IR> to be fully independent. The <IR> output should ultimately "be endorsed by an independent and ethical party which is totally free from any influences", one respondent stresses. This would suggest the use of an external auditor. However, another survey participant queries the ability of auditors to fully understand and audit <IR> material. Although they do not say why, this may be because <IR> is likely to have a wider scope than a traditional financial report, potentially covering new topics (such as environmental sustainability) and unfamiliar non-financial measures. Another survey respondent calls for all members of society – from board members to employees and the general public – to be educated in the importance of <IR>, so encouraging them to monitor the <IR> information produced by companies. Their scrutiny would complement governmental checks.

### IMPLEMENTATION AND IMPACT

The majority of all survey respondents (65.6%) think that, if <IR> is to be implemented in Malaysia, this should be driven by regulation in some form. However, there is disagreement over the nature of the preferred regulatory approach. The largest group overall (38.7%) think <IR> should be required on an 'apply or explain' basis, whereas 26.9% think <IR> should simply be made mandatory. Just under a third (32.3%) of respondents think the introduction of <IR> in Malaysia should be market driven.

Preparers of corporate reports and non-reporters are closely aligned on how they think <IR> should be implemented in Malaysia. Both groups narrowly prefer the 'apply or explain' regulatory approach, followed by a market-driven solution, with a mandatory requirement ranked third. Whatever the implementation approach, some survey participants think the needs of small and medium-sized enterprises (SMEs) should be taken into account, given their lesser resources available to implement <IR>. They could, for example, be exempted from any mandatory <IR> requirement.

### Impact on Malaysia as a place to do business

Over half (54.1%) of all respondents believe that the widespread use of <IR> by companies in Malaysia would make it a more attractive place to do business, while only 11.5% disagree with this idea. Another 34.4% are as yet unsure. The results are closely aligned for preparers of corporate reports

## Survey findings

and non-reporters. However, the findings differ from those of the ICSA-NUS survey, where only 37% of respondents were sure that adoption of <IR> would make Singapore a more attractive place to do business, while 51.9% were unsure.

Interestingly, among report preparers, CEOs (68.2%) and board committee members (63.6%) are more likely than CFOs and other finance function personnel (51.0%) to see benefits for Malaysia.

Among non-reporters, regulators are particularly likely to see benefits to Malaysia from <IR>, with 60.7% saying its introduction would make the jurisdiction a more attractive place to do business. Similarly, 59.0% of consultants and 57.4% of investors hold this view.

Overall, 64.8% of respondents (preparers and users) with at least some knowledge of <IR> (levels 3 to 5) see benefits from its uptake for Malaysia, compared to only 43.7% of those with no or little knowledge (lowest two levels i.e. levels 1 and 2). This indicates again the importance of creating awareness and understanding of <IR> to encourage momentum behind its take-up.

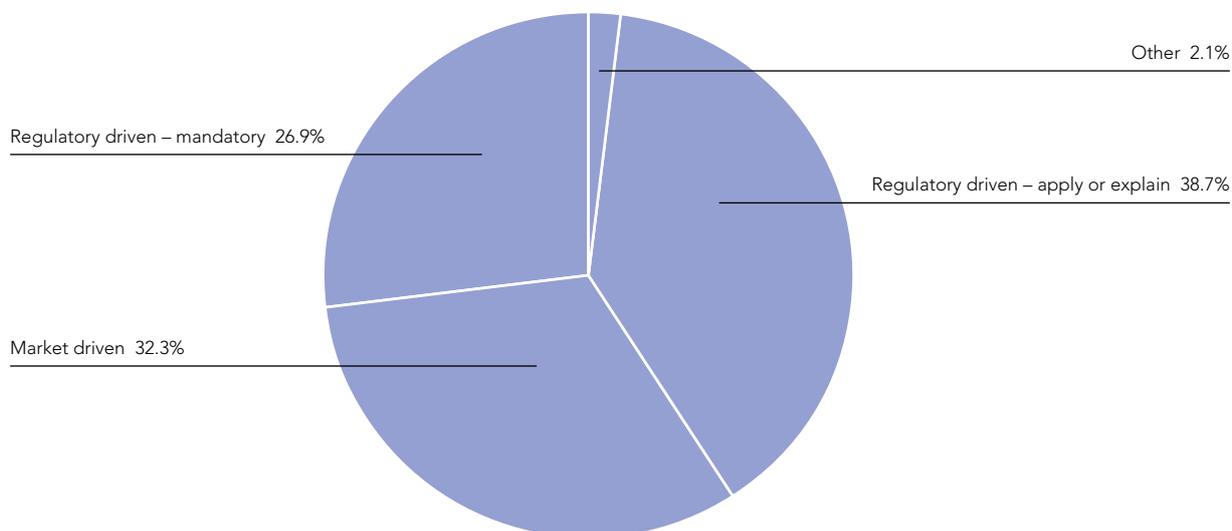
Many respondents commenting on this question note the many contributing factors that determine a country's attractiveness to investors. These include political stability, ease of doing business, facilities available to businesses and a favourable economic outlook. The extent of <IR> adoption would be one factor among many.

### Impact on Malaysian businesses

We also asked survey participants whether the use of <IR> would make Malaysian businesses themselves more attractive to investors. Respondents are even more positive on this issue, with 61.8% believing Malaysian businesses would have more investor appeal. Just under a third (30.6%) are unsure. The results are highly similar for both corporate report preparers and auditors and other users of financial statements. Regulators (70.4%) and investors (68.5%) are, as before, particularly likely to think businesses using <IR> would be more attractive for investment. These investors appear to be recognising that <IR> is designed to give them a more complete picture of a company's ability to create value over the short, medium and long term. As already noted in this report, a majority of investors in this survey do not think current corporate reporting enables them to gain enough information on a company's value and value-creating potential.

While many respondents do see value for Malaysian businesses in adopting <IR>, noting its potential to increase transparency and provide investors with useful information, they do not consider it a 'magic bullet' that will automatically attract investors. <IR> is, some note, just another form of corporate reporting. A company's actions are important too, although reporting does drive behaviour and actions. Other survey participants express concerns over compliance costs and the risk that mandatory enforcement of <IR> could result in it being addressed as a burden, rather than as a means to improve the substance of reporting. So while <IR> could help to strengthen the appeal of Malaysian businesses to investors, it is not sufficient on its own. Perhaps the general view could be summed up by this survey participant's comment: "IR assists in the transparency of business but is not the sole factor that makes it more attractive to investors."

### How should <IR> be implemented in Malaysia





# Support, promotion and training

## SUPPORT, PROMOTION AND TRAINING

This survey has found strong interest in <IR>, but also the need for more support to businesses to help them implement it effectively. When we asked survey participants what support they would prefer to be provided by government, its agencies and industry associations, they put technical and preparation advice at the top the list. Among all respondents, 37.0% prioritise this form of support. This is no surprise, given that the lack of guidance on how to prepare an integrated report was identified earlier in this report as one of the key challenges in <IR> implementation for all survey participants and the biggest challenge of all in the eyes of corporate report preparers.

A reasonable timeframe for implementation is also considered important, given the top preference ranking by 26.1% of respondents overall. Around one in five (21.2%) would like some form of recognition for <IR> adoption, but only 15.8% place financial incentives as a top priority. As one non-executive director explained during the IRSC's Engagement Session with PLCs on 6 August 2015, if a board sees benefits from implementing <IR>, it will adopt it without any financial incentive. On the other hand, no financial incentive would trigger <IR> adoption if the board sees no value in the approach. One survey participant endorses this view, commenting that organisations should simply implement <IR> if they see it brings benefits.

Others would appreciate support from professional accountancy bodies, such as the MIA and ACCA (an issue considered further below). This could include research on stakeholders' expectations and <IR> training. One survey participant also calls for a lessening of other compliance burdens in "the interest of saving time and cost to allow companies to concentrate on providing value-added information such as <IR>".

## Professional accounting body support

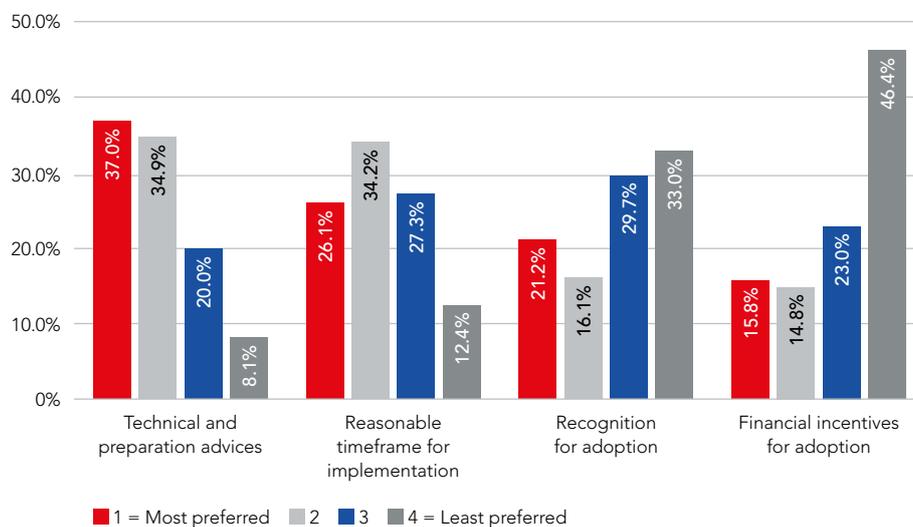
### Priority actions for professional accounting bodies

- 1 Conduct research on the benefits and costs of <IR>
- 2 Conduct training seminars and workshops on preparing <IR>
- 3 Provide technical advice and consultancy on <IR>
- 4 Create effective communication channels to supply timely and relevant updates from the IIRC and its equivalents
- 5 Showcase best practices in <IR> from overseas
- 6 Create a platform for <IR> adopters to share practices and address implementation challenges
- 7 Provide due recognition to <IR> adopters, for instance, national level and/or international level awards

*Note: Based on the total of top three rankings for each options*

Conducting research on the benefits and costs of <IR> is the top priority in terms of survey participants' desired action by the MIA and other professional accounting bodies in order to enhance knowledge of and promote <IR> in Malaysia. Over a third (35.5%) of all respondents give this the top priority ranking. Such research activity is also the top preference when taking account all of the top three rankings allocated by respondents.

### Types of support needed



Participants also see other forms of useful activity that accounting bodies could undertake, such as conducting training seminars and workshops on preparing an integrated report, providing technical advice and consultancy on <IR>, and creating effective communication channels to supply timely updates from the IIRC and other relevant bodies.

The precise support required, whether from government or professional accounting bodies, reflects the fact that <IR> is still in the early stages of adoption in Malaysia. Some organisations are leading the way, such as Sime Darby Berhad, the first Malaysian company to adopt <IR>. Many others, however, have yet to explore the potential benefits of <IR> and understand the processes involved in achieving it. This explains why many respondents prioritise the need for government support in the form of technical and preparation advice, and professional accounting body support in the form of research. Survey respondents are clearly saying they need more information in order to become convinced that <IR> is a useful initiative. Once convinced, they then require more technical support to help them implement <IR> successfully.

### Conference content

#### Preferred topics for an <IR> conference in Malaysia

- 1 Introduction to the concept of <IR>, including the technical aspects
- 2 Investors' perspective on how they use <IR> and why they think it's good
- 3 Articulate the benefits of <IR> to preparers
- 4 Differences between sustainability reporting and <IR>
- 5 Sharing of war stories from companies that have embarked on <IR>
- 6 <IR> movement around the world
- 7 Conversation around <IR> assurance

*Note: Based on the total of top two rankings for each options*

Survey participants' desire for more information on the basic fundamentals of <IR> and why it could benefit investors and preparers is again revealed in their preferred topics for an <IR>-themed conference. The finding reinforces previous messages that, given the early stage of <IR> adoption in Malaysia, many corporate report preparers and users of financial statements require training and support to increase their knowledge of this innovative reporting framework. Some would also like content on pitfalls and challenges during <IR> implementation, and on how <IR> can impact on business performance in the short and long term.

#### International training syllabus

A majority (62.1%) of all survey respondents believe that an internationally-recognised training syllabus for <IR> would be valuable to them when considering how to obtain skills and knowledge in this area. This again confirms the demand for authoritative training and information on <IR> so that members of the reporting, auditing and investment communities fully understand the potential benefits of <IR> adoption, implement it effectively and make best use of the information it presents.

Additional comments by survey respondents emphasise the need for a clear understanding of the costs and benefits associated with <IR>, a recurrent theme during this survey. High quality training on <IR> should help individuals to assess the benefits and costs for themselves in the context of their own organisations. As previously highlighted, boards will only implement <IR> if they believe there are clear benefits for their businesses, while investors will only demand <IR> if they believe the information it produces is useful. As one survey participant notes: "Integrated Reporting is good, but the objective must be seen to be positive from both the organisational and the investors' point of view if it is to be implemented globally."

The IIRC has launched the <IR> Competence Matrix, which 'identifies the knowledge, skills and behaviours that organisations need to adopt Integrated Reporting and realize its benefits', and in associated with that, is working with training partners to develop and deliver trainings based on the competence levels described in the Competence Matrix. More information on the <IR> training programme can be found here: <http://integratedreporting.org/resource/ir-training>

# Conclusion



Since the global financial crisis, much attention has been placed on finding ways to help financial markets operate effectively while supporting value creation over the long term. <IR> has emerged as one potential solution, based on a framework that encourages companies to report in a more integrated way, taking account of how they use a range of capitals and create value over the short, medium and long term.

This survey has found that knowledge of <IR> and its potential benefits remains relatively low in Malaysia but there is appetite to learn. Many preparers of corporate reports are dissatisfied with the adequacy of current approaches, questioning whether they give real insights into corporate performance and value-creation potential. Similarly, many users of financial statements in Malaysia see room for improvement of existing corporate reporting. Both sides of the reporting table show interest in investigating whether <IR> could provide the answer.

There is, however, considerable scepticism about placing too much emphasis on <IR> as the solution to all reporting problems. Participants in this survey see many challenges to its introduction, including costs, the potential inadequacy of systems and processes, and the lack of connectivity that currently exists within organisations. There is also wide acceptance of the need for <IR> to be subjected to assurance, so that those reading corporate reports can place reasonable reliance on the information they contain when making investment decisions. Few participants want <IR> to become a mandatory requirement, preferring a more market-led or 'apply or explain' approach. In this way, <IR> is less likely to be seen as a compliance burden, as organisations will be able to assess its merits and consider how its adoption could prove beneficial for them.

Change initiatives always take time. They also require board-level commitment and clear indications of demand for change from investors and other stakeholders. This survey has highlighted the need to help corporate reporters and users of financial statements fully understand the potential benefits to be gained from <IR>. Only then will market forces encourage wider adoption of this new reporting model.

As this survey has confirmed, professional accountancy bodies such as the MIA and ACCA have important roles to play in conducting research, initiating training seminars and promoting technical and practical guidance materials. There is clear interest in <IR> in Malaysia and strong demand to know more about how its adoption could boost corporate performance and attract more international investment. Filling this knowledge gap should be seen as a vital activity – a necessary first step in order to raise awareness of <IR> and its benefits, build momentum for <IR> adoption within Malaysian companies, and ensure advisers and auditors have the necessary expertise to support clients in fulfilling their corporate reporting ambitions.

# Appendix – Survey Questionnaire

# Appendix – Survey Questionnaire

## THE FUTURE OF CORPORATE REPORTING

### OBJECTIVES OF THE SURVEY

This survey, jointly conducted by ACCA and MIA, seeks to understand the level of awareness and appreciation of Integrated Reporting (<IR>) by the various stakeholders in the corporate reporting value-chain.

In particular, the survey seeks to find out how ready businesses are to adopt <IR> as well as how market participants perceive <IR>, an emerging form of corporate reporting, and its ability to address the informational needs of stakeholders.

The findings will allow MIA and various bodies to conceive initiatives to advocate <IR> in Malaysia, as well as to help address implementation issues businesses face.

The questionnaire will take around 15 minutes to complete and will be open until 31 August 2015.

Your individual response is confidential and only aggregated results will be reported.

We appreciate your opinion and thank you very much for taking the time to complete this short questionnaire.

**ABOUT YOU**

Firstly, in order to help us analyse answers to the survey questions we ask you to please share with us the following details.

**1 Are you a member of the following professional accountancy bodies? (Please tick where applicable)**

- MIA     ACCA     MICPA     CIMA     CPA Australia     ICAEW  
 Not part of any professional accountancy bodies  
 Others (please specify): \_\_\_\_\_

**2 Which of the following reporting stakeholder categories best fits you? (You can tick more than one)**

- Corporate Report Preparers I (Audit Committee, Independent Directors, Board Member)  
 Corporate Report Preparers II (CEO)  
 Corporate Report Preparers III (Finance function including CFO, Financial Controller, Accountant)  
 Corporate Report Preparers IV (Others e.g. Corporate Communication, Sustainability Practitioner)  
 Auditors  
 Consultants  
 Investors (e.g. Shareholders, Analysts)  
 Regulators  
 Others, please state: \_\_\_\_\_

Stakeholder category 1, 2, 3 and 4 only

**3 Please tick your industry**

- |  |   |
|--|---|
| <input type="checkbox"/> Agriculture & agribusiness                  | <input type="checkbox"/> Information technology           |
| <input type="checkbox"/> Automotive                                  | <input type="checkbox"/> Logistics & distribution         |
| <input type="checkbox"/> Chemicals                                   | <input type="checkbox"/> Manufacturing                    |
| <input type="checkbox"/> Construction & real estate                  | <input type="checkbox"/> Not for profit / charity         |
| <input type="checkbox"/> Consumer goods                              | <input type="checkbox"/> Professional services            |
| <input type="checkbox"/> Defence & aerospace                         | <input type="checkbox"/> Public sector                    |
| <input type="checkbox"/> Education                                   | <input type="checkbox"/> Retail                           |
| <input type="checkbox"/> Energy & natural resources                  | <input type="checkbox"/> Telecommunications               |
| <input type="checkbox"/> Healthcare, pharmaceuticals & biotechnology | <input type="checkbox"/> Transportation, travel & tourism |
| <input type="checkbox"/> Entertainment, media & publishing           | <input type="checkbox"/> Other (please specify): _____    |
| <input type="checkbox"/> Financial services                          |   |

Stakeholder category 1, 2, 3 and 4 only

**4 What is your company's market capitalisation (based on latest available financial information, published or otherwise)**

- Less than RM100million                       More than RM1billion  
 RM100million to less than RM300million     Non-listed company  
 RM300million to less than RM1billion

Stakeholder category 1, 2, 3 and 4 only

**5 Is your company a Government Linked Company (GLC)?**

- Yes     No

## Appendix – Survey Questionnaire

### AWARENESS OF INTEGRATED REPORTING (<IR>)

#### 6 How much do you know about Integrated Reporting (<IR>)?

(Please answer on a scale of 1 to 5 where 1 = No knowledge; 5 = In-depth knowledge)

- 1    2    3    4    5

Follow-up questions for Corporate Report Preparers

**Do you plan to know more about <IR>?**

- Yes    No

**Has <IR> been discussed at the Board level of your company?**

- Yes    No

**Would your company consider adopting <IR>?**

- Yes    No    Maybe

Follow-up questions for the rest

**Do you plan to know more about <IR>?**

- Yes    No

**Would you consider yourself an active advocate of <IR>?**

- Yes    No

If you wish to make any further comments regarding your answer above, please use the box provided:

#### 7 What is the key difference between <IR> and Sustainability Reports?

Please tick ONE response that best represents your perspective.

- They are perfect substitutes
- They are not perfect substitute but overlapped
- Sustainability Reporting is a subset of <IR>
- <IR> makes Sustainability Reporting redundant
- Sustainability Reporting is sufficient without <IR>
- I have no idea
- Others (please specify): \_\_\_\_\_

**PERCEIVED BENEFITS OF INTEGRATED REPORTING**

For Corporate Report Preparers

**8 Does the current corporate reporting framework allow you to adequately communicate the value and value creating potential of your company to investors and other stakeholders?**

- Yes     No     Not sure

**9 Do you believe that <IR> will help to improve the current corporate reporting of your company?**

- Yes     No     Not sure

For the rest

**8 Are you able to get sufficient information about the value and value creating potential of a company by looking at their current suite of corporate reporting?**

- Yes     No

**9 Do you believe that <IR> will help to improve corporate reporting?**

- Yes     No     Not sure

**10 What are the perceived benefit(s) in adopting <IR>? Please tick all that apply.**

- Improve communication with external stakeholders
- Easier access to capital
- Lower cost of capital
- Increase share price
- Improve transparency and governance reporting
- Promote integrated thinking through breaking silos within organisation
- Others: \_\_\_\_\_

**11 Assuming that the current benefits derived from corporate reporting is given a score of 50, how would you score the benefits of <IR> using current corporate reporting as a baseline?**

[Example: If you perceive the benefits will increase by 10%, your score will be 55. If you perceive that the benefits will be doubled, your score will be 100.]

Please write your score in this box (min 50)

### PERCEIVED CHALLENGES OF INTEGRATED REPORTING

#### 12 What do you foresee are the top three challenge(s) in adopting <IR>?

Please select up to three of the following:

- Insufficient evidence of investors' interest
- Fear of divulging market and/or price sensitive information
- Fear of litigation given uncertain outcomes of forward looking information
- Costs of preparation of <IR>
- Lack of connectivity and integration process within organisation to enable adoption of Integrated Report
- Lack of proper information system to produce the <IR>
- Lack of support from the Board and senior management
- Resistance from the ground level
- Lack of guidance on how to prepare an <IR>
- Others (please specify): \_\_\_\_\_

If you wish to make any further comments regarding challenges to adopting <IR> please use the box provided here:

**FOR CORPORATE REPORT PREPARERS ONLY**

**13 Assuming that the current cost of preparing your corporate reports is given a score of 50, how would you score the cost of preparing <IR> for your company using the current cost of preparing corporate reports for your company as a baseline?**

[Example: If you perceive the cost will increase by 10%, your score will be 55. If you perceive that the cost will be doubled, your score will be 100.]

Please write your score in this box (min 50)

**14 Assuming that the current effort expended by your company in preparing the corporate reports is given a score of 50, how would you score the expected effort of preparing <IR> for your company using the current effort of preparing corporate reports for your company as a baseline?**

Please write your score in this box (min 50)

**PRIMARY RECIPIENT(S) OF AND PREPARERS OF <IR>**

**15 Who should be the primary recipient(s) of the <IR>?**

**Please tick all that apply.**

- |   |   |
|---|---|
| <input type="checkbox"/> Current investors or providers of capitals   | <input type="checkbox"/> Suppliers                      |
| <input type="checkbox"/> Potential investors or providers of capitals | <input type="checkbox"/> Customers                      |
| <input type="checkbox"/> Analysts                                     | <input type="checkbox"/> General public                 |
| <input type="checkbox"/> Regulators                                   | <input type="checkbox"/> Others (please specify): _____ |

**16 Who should be primarily responsible for preparing the <IR>?**

- |   |  |
|---|--|
| <input type="checkbox"/> General publicManagement – CEO   | <input type="checkbox"/> General publicCorporate Communication/PR            |
| <input type="checkbox"/> General publicManagement – CFO   | <input type="checkbox"/> General publicIn-house Sustainability Practitioners |
| <input type="checkbox"/> General publicBoard of Directors | <input type="checkbox"/> General publicOthers (please specify): _____        |
| <input type="checkbox"/> General publicAuditors           |  |

## ASSURANCE

**17 Do you think stakeholders will require the <IR> to be audited in order for them to rely on the reports?**

Yes     No     Maybe

**18 If stakeholders require assurance for <IR>, what do you think is the most appropriate form and level of assurance to be given in the following areas of information?.**

	Reasonable assurance	Limited assurance	Level of assurance does not matter	No assurance is needed
Organisation overview and external environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business model	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risks and opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strategy and resource allocation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outlook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Basis of preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

- If the <IR> includes the financial statements, the latter will continue to be audited in accordance with the regulatory requirements. Hence, the level of assurance on <IR> referred to in this question cover areas other than financial statements.
- A reasonable assurance is a positive assurance with a 'direct' audit opinion such as: The reports have been prepared in accordance with applicable legislation and standards.
- A limited assurance is a negative assurance with an 'indirect' audit opinion such as: Nothing has come to our attention that causes us to believe that the reports are not prepared in accordance with applicable legislation and standards.

**19 Notwithstanding your response to the previous question, should there be assurance of the entire <IR> taken as a whole, prepared in accordance with the International Integrated Reporting Framework?**

Yes     No

**20 Which of the following statements best reflects your views about increasing reliability of an <IR>? Please tick only one.**

- Ultimately <IR> will have to be subject to an independent assurance (like financial statements currently are) in order to be truly reliable and useful.
- In today's technology-enabled transparent world, corporate can only earn credibility and trust by constant communication and by their actions. Different stakeholders, including investors and customers, will 'police' the company's <IR>.
- A 'combined assurance' approach where management, internal auditors and external auditors share responsibilities for ensuring the reliability of the <IR> is the most appropriate.
- None of these

If you wish to make any further comments regarding your answer above, please use the box provided:

**STATEMENT OF ACKNOWLEDGEMENT**

**21 Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the <IR>?**

Yes     No     Maybe

**22 Please provide reason(s) for your above response.**

**STANDARDS AND IMPLEMENTATION**

**23 If <IR> is to be implemented, how should it be implemented in Malaysia?**

**Please tick your answer.**

Market driven     Regulatory driven – mandatory     Regulatory driven – Apply or explain  
 Others (please specify): \_\_\_\_\_

**24 If <IR> is commonly used by companies in Malaysia, do you believe that its use will make Malaysia a more attractive place for doing business?**

Yes     No     Maybe

**25 If <IR> is commonly used by companies in Malaysia, do you believe that its use will make Malaysian businesses more attractive to investors?**

Yes     No     Maybe

If you wish to explain your answers about <IR> potentially making Malaysia more attractive for doing business, or for investors, please use the box provided here:

## Appendix – Survey Questionnaire

### SUPPORT, PROMOTION AND TRAINING

**26 If <IR> is to be commonly used in Malaysia, what will be your preference with respect to the following kinds of support that you may expect from the government, its agencies and industry associations etc.?**

Please drag and drop the options below, from left to right, to rank in order of your preference.

[Note: please order with most preferred at top and least at bottom]

- Reasonable timeframe for implementation
- Technical and preparation advices
- Financial incentives for adoption
- Recognition for adoption

If you wish to suggest other forms of support you expect, please use the box provided here.

**27 What can MIA and other professional accounting bodies do to enhance the knowledge of and to promote <IR> in Malaysia?**

Please drag and drop the options below, from left to right, to rank in order of your preference.

[Note: please order with most preferred at top and least at bottom]

- Conduct research on the benefits and costs of <IR>
- Showcase the best practices in <IR> from overseas
- Create effective communication channels to supply timely and relevant updates from the International Integrated Reporting Council and its equivalents
- Conduct training seminars and workshops on preparing <IR>
- Provide technical advice and consultancy on <IR>
- Create a platform for <IR> adopters to share practices and address implementation challenges
- Provide due recognition to <IR> adopters for instance, national level and/or international level awards

If you wish to suggest other ways to promote or enhance knowledge of <IR>, please use the box provided here.

**28 If an <IR> themed conference is to be organised in Malaysia, which topics will be of interest to you?**

**[Please indicate your interests on a scale of 1 to 5 where 5 is 'very interested' and 1 is 'not interested at all']**

- Introduction to the concept of <IR>, including the technical aspects
- Articulate the benefits of <IR> to preparers
- Investor's perspective on how they use <IR> and why they think it's good
- How to embark on the <IR> journey – the steps to follow
- Sharing of war stories from companies that have embarked on <IR>
- Differences between sustainability reporting and <IR>
- <IR> movement around the world
- Conversation around <IR> assurance

Please use the box provided to suggest any other <IR>-related topics that you are interested in.

**29 How valuable would an internationally recognised training syllabus for integrated reporting be to you when you are considering how to obtain skills and knowledge in this area? [Please answer on a scale of 1 to 5 with 5 being 'very valuable' and 1 being 'not at all valuable']**

- 1     2     3     4     5

### GENERAL

**30** If you wish to make any other comments regarding the topics discussed in this survey please do so here:

**31** Please leave your contact details below if you're agreeable to be contacted for further research on this subject and/or if you would like to be provided with future <IR>-related updates.

Name

---

Job title

---

Organisation

---

Email

---

**Please tick all that apply**

I am agreeable to being contacted for future research on <IR>

I would like to be provided with future <IR>-related updates

Thank you for taking the time to share your views.  
Your contribution to this piece of research is much appreciated.

# Contact us

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### **ABOUT IRSC**

The Integrated Reporting Steering Committee (IRSC) was set-up under the auspices of the MIA in December 2014 with objectives of performing research and shaping thinking on <IR>, promoting the adoption of <IR> in Malaysia, providing support to organisations adopting <IR>, engaging businesses in shaping the continued development of <IR>, and giving recognition to <IR> adopters.

The IRSC carried out various activities in recent years in promoting <IR> which included engaging with investors, participating in <IR> Business Network under the IIRC, conducting focus group dialogue with selected PLCs, publishing <IR> articles in Accountants Today and others.



#### **ABOUT MIA**

The Malaysian Institute of Accountants (MIA) was established under the Accountants Act 1967 as the statutory accountancy body that regulates, develops, supports and enhances the integrity and status of the profession while upholding the public interest.

We connect our members to a wide range of continuous professional development programmes, updates and networking opportunities. Presently, there are over 30,000 members making their strides across all industries in Malaysia and around the world.

**[www.mia.org.my](http://www.mia.org.my)**

#### **ABOUT ACCA**

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants with 188,000 members and 480,000 students in 178 countries worldwide. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We work through a network of over 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

**[www.accaglobal.com](http://www.accaglobal.com)**

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