

INTEGRATED REPORTING- THE MALAYSIAN EXPERIENCE

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<IR>

- > Under the Malaysian Code of Corporate Governance 2017, large companies are encouraged to adopt integrated reporting.
- > MIA organised an Integrated Reporting Conference in October 2016 where 33 of the large Malaysian corporates declared their intention of migrating to Integrated Reporting. They are now at various stages of implementation.
- > As the regulator of the accounting profession in Malaysia MIA is walking the talk and has produced its first Integrated Report for financial year ended 30th June 2017.



Why MIA embarked on <IR>



To create & develop MIA's
value creation story

To drive connected thinking
in developing and executing
MIA's strategic objectives.

TO ENHANCE THE KEY ELEMENTS OF OUR <IR>

5 + 6 + 7 + 8

- 5 decades of Nation Building
 - 6 Capitals
 - 7 Guiding Principles
 - 8 Content Elements

To ARTICULATE OUR CORE VALUES

Integrity

Mutual Trust and Respect

Professionalism

Accountability

Commitment

Teamwork

Sustainability

(IMPACTS)



Our Challenges

Create a succinct Business Communication Plan & Business Model

The preparation of this report required integrated thinking and interdependence, hence breaking down internal silos and solos took more time than expected

CHALLENGES

Purposes = nation building (It took some time to instill “ownership”, fuel passion and build a community

Making people understand the importance of value creation, our business model, and impacts, which leads to our sustainable strategy.

Benefiting our stakeholders – nation building as the ultimate goal



Creating value

Driven by our purpose:

1 Our resources

Leveraging on our capitals

Financial capitals

- Membership fees
- Income from events and conferences
- Retained earnings
- Government grants

Intellectual capitals

- Standards and regulations
- Technical Guidance
- Publications and Research

Human capital

- Internal Talent
- Committee and Task force members as volunteers

Social and relationship capital

- Strong ties with MoF
- Collaboration with Regulatory bodies
- Partnership with Statutory and Accountancy Bodies and other organisations
- collaboration with accountancy firms, Professional Bodies, Corporates and other organisations

2 What we do

Enhancing competency of accountancy professionals in Malaysia

Membership & Operations

(see more at Reviewing Performance pp.xx)

Strategy & Development

(see more at Reviewing Performance pp.xx)

Professional Practices & Technical

(see more at Reviewing Performance pp.xx)

Surveillance & Technical

(see more at Reviewing Performance pp.xx)

3 How we do it

Addressing the market outlook and trends

SO1

Develop and enhance the competency and capacity of accountancy professionals to meet market demand

SO2

Advance and enhance the status (professionalism, competency and ethics) of members and the accountancy profession in Malaysia

SO3

Develop and regulate (further, drive, lead, ensure) the practice of the accountancy practice in Malaysia consistent with global standards and best practices

SO4

Promote accountancy as a profession of choice

SO5

Well-governed organisation with good talent management, operational and financial sustainability

Aligning direction through strong governance: + See pages 28 – 31

Guided by our values:

MIA collaborates strategically with our partners and stakeholders to expand the nation's talent pool of highly skilled and ethical accountancy professionals.

Nation building

4 Our outputs

Fuelling the Profession with adequate and professional knowledge, ethics and technology

968

CPE and knowledge events

35,800

Professionals trained

3,163

Chartered accountants

33,294

MIA members

91

Complaints resolved

43

Publications and technical guidance

RM38.35 million

Revenue

5 Our outcomes

Benefitting our stakeholders – Nation-building as the ultimate goal

Public trust

Profession supports the economy, public interest and market confidence

Economy

Profession influences economic policy e.g. paying the right taxes

Nurturing talent

developing human capital internally and externally across the profession

Governance

implementing ethics, standards and professional best practices

Sustainability

Advocating sustainability through compliance and value creation e.g. Integrated Reporting

Impacts

THE SIME DARBY EXPERIENCE

Sime Darby is the largest conglomerate in Malaysia with a market capitalisation of USD **15** billion with four major business – plantation, property, trading (motor and industrial equipment- Caterpillar) and logistics. It is the first PLC in Malaysia to migrate to Integrated Reporting.

Why is it important to Sime Darby?

- To present a clear, unified and consistent message to all stakeholders.
 - Articulation must be strategized and followed through, throughout our reporting and disclosure platforms
- Gaps or disjointed information give rise to questions of governance and strength of business strategy.
- Integrated Reporting will enable Sime Darby to:
 - Break internal silos.
 - Present information to stakeholders in a more cohesive and concise manner.
 - Unlock value by forcing internal structures to focus on materiality.
 - Steer future strategy ideation to focus on what is most important for Sime Darby and link it throughout operations.
 - Embed sustainability and corporate responsibility as part of business strategy and operationalization – not just about environment and philanthropy.

Milestone and Gap Analysis

FY 2014 Gap Analysis

Overall : Content

- To beef up disclosures on tangible and measurable value contribution to sustainability/CSR
- To include more non-financial related KPIs in the report
- Closing the gap between what is reported and what stakeholders/shareholders want to know

Quality

- Data quality (suitability) and timeliness of non-financial data
- Focus on the key messages (Materiality)

Linkage

- Connectivity of financial and non financial materiality assessment
- Linking strategies, operations and reporting

Clear Gaps Identified in sections below from FY 2014 Annual Report :

Risk and opportunities

- Linkages and integration between risk reporting and other aspects of reporting such as strategic priorities, external drivers, business model and performance.
- Insights into the dynamics of its risk profile (impact vs probability)

Governance

- To describe actual activities, effectiveness review (area of strength and area of focus in the following year) in the year as opposed to listing their responsibilities of 'terms of reference (ToR)'
- To show relevance of Board members' key skills and capabilities to Sime Darby

Business Model

- Linkage from business model to risks and performance measures

CHALLENGES

**Areas identified
requiring
assistance from
experts**



- Materiality and conciseness
- Cohesiveness and connectivity of information
- Look and feel of Sime Darby's Annual Report

In other words,

Information flow from one section to another was found to be disjointed and often did not effectively explain how the business strategies and the thinking behind them translated into all other aspects across the Group.

To address the issues raised above, Sime Darby engaged a consultant to help us progress better in our journey of transformation.

Moving into the second year of <IR>, Sime Darby have specifically identified certain content areas in which a partner with a proven reporting methodology is required to provide strategic and executional guidance:

- Articulation of the company's value creation story
- Development of the Group business model and divisional business models
- Improvements in the governance and risk write-ups
- Presentation of SD Group materiality assessment
- Structure and connectivity of the Report

Charts, tables, diagrams and info graphics :

- To improve the creativity and effectiveness of communication
- To provide a concise and compelling investment story in line with the guiding principles of the International <IR> Framework.

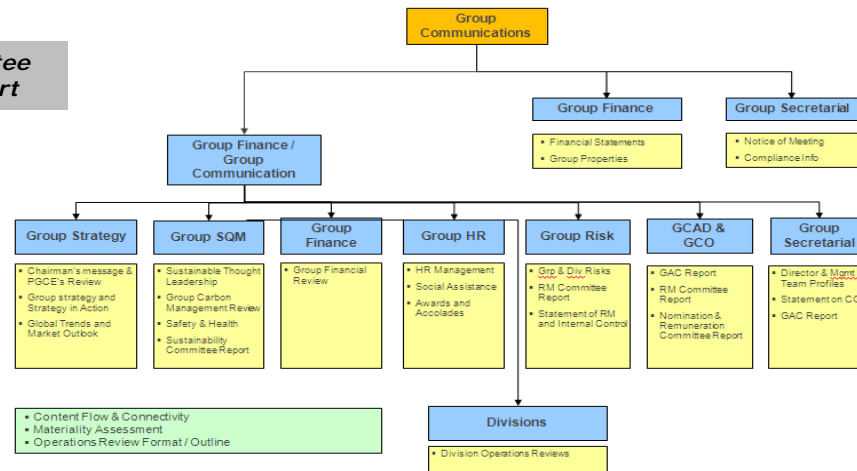
Situational Analysis

Moving into FY 2015

Whereas internally, collective support is seek to make transformation possible

- Key: Collective support.
- Group Finance and Group Communications & Corporate Affairs (GCCA) will lead the Integrated Reporting Initiative.
- All Group and Divisional EVPs are to champion the effort in their respective work streams and Divisions. This is key to ensure that the message and information carried across the Group is consistent and unified.
- Quality and depth of information reported to be measurable and comparable across the Group where relevant. Reporting must be based on materiality, not on individual comfort levels. EVP leadership and support therefore is crucial.

***Annual Report Committee
– FY 2015 Annual Report***



AWARDS

Date / Month	Recipient	Award	Award by
October 2016	Sime Darby Berhad	a) Award for Pioneering Integrated Reporting b) Award for Leading Light for Integrated Reporting	Malaysian Institute of Accountants (MIA 2016)
December 2016	Sime Darby Berhad Sime Darby Plantation	a) Merit Award for Corporate Governance Disclosures b) Excellence Awards for Environment, Social, Governance (ESG) Practices c) Industry Excellence - Plantation	Minority Shareholders Watchdog Group (MSWG) Annual Corporate Governance Award 2016
January 2017	Sime Darby Berhad	Best Overall Reporting	Malaysia Sustainability Reporting Awards (MaSRA)
September 2017	Sime Darby Berhad	Winner PWC Building Trust Awards 2017	PWC
October 2017	Sime Darby Berhad	Tan Sri Mohd Bakke Salleh Best CEO , Malaysia Datuk Tong Poh Keow 2 nd Placing, Best CFO Malaysia	Institutional Investor's All Asia Award