

CORPORATE REPORTING

CENTRE FOR PROFESSIONAL TRANSFORMATION IN ACCOUNTING & FINANCE (CPTAF) NEWSLETTER

May 2016

WELCOME TO THE SECOND NEWSLETTER FROM CPTAF

The Centre for Professional Transformation in Accounting & Finance (CPTAF) was set up with the aim of promoting research and developing the Accounting & Finance qualification in APU. The first newsletter was published in September 2015 with the theme “Risk Management”, and was presented to our students in March 2016 to further enhance their knowledge.

The theme for this newsletter is **Corporate Reporting**. Corporate Reporting refers to the presentation and disclosure aspects of reporting and includes Integrated Reporting, Financial Reporting, Corporate Governance, Corporate Responsibility etc. Internationally, most regulations include both mandatory and voluntary disclosures to add value for the stakeholders. In Malaysia, reporting requirements are also changing accordingly to include mandatory information that would be beneficial for the stakeholders.

The articles contributed aim to provide reference materials for our students, which may also assist the students in their research areas and modules. We are proud to announce that apart from the contribution from our academic staff, we have two student contributors who have written articles based on their Final Year Projects.

We also include a section on some of the past activities of SAFIQS. We hope that this newsletter would be beneficial to all our colleagues and students. We welcome any feedback and article contributors from our colleagues and students in APU.

Thank you

GEETHA A RUBASUNDRAM

Chairperson CPTAF

ARTICLE CONTRIBUTORS

- ◆ Ms Geetha Rubasundram - Chairperson CPTAF & Senior Lecturer
- ◆ Ms Meera Eeswaran - Academic Leader & Lecturer
- ◆ Mr Suresh Balasingam - Programme Leader & Lecturer
- ◆ Dr Frederica Mojilis - Lecturer
- ◆ Ms Kavitha Arunasalam - Lecturer
- ◆ Ms Rozitaayu Bt Zulkifli - Lecturer
- ◆ Teo Wai Lun—Student
- ◆ Housna Jaypul—Student

EDITORIAL BOARD

- ◇ Mrs Kwan
- ◇ Ms Geetha

GRAPHICS & DESIGN

- ◇ Mr Suresh

CORPORATE SOCIAL RESPONSIBILITY – COST OR VALUE

Ms Kavitha Arunasalam

Corporate Social Responsibility (CSR) is currently one of the major concerns of organisational stakeholders. Corporate Social Responsibility (CSR) is defined as achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment (McWilliams and Siegel, 2001). CSR can be also defined as open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders (Bursa Malaysia, 2008). With CSR reporting, an organisation is not only responsible for financial performance, but also for social and environmental issues.

CSR reporting includes reporting on business ethics, corporate governance, socially responsible investing, environmental sustainability and community investment. Investment on any project needs to take into consideration the environmental value in it. Corporate Social Responsibility report is also known as Sustainability Report or Global Responsibility Report.

Is CSR becoming the main determinant of an organisation's performance? This issue has since been debatable since there are few research that reflect CSR is negatively linked to financial performance. Reich (2008) discussed that organisation's that report CSR sacrificed freedom of profits to attain social goods. This could lead to negative impact on a firm's performance. Some even believe, "Who cares? What's the worst that can happen if I don't bother about the environment?"

In Malaysia, disclosing CSR activities is compulsory for companies listed in Bursa Malaysia. The tenth Malaysia plan (2011-2015) urges Government Listed Companies to integrate and implement CSR policies. Could this actually be just an additional cost for the companies? For example, an organisation can spend the cash on resources for production or research and development, but they should be aware of the responsibility to address the social or environmental problems. The surface of CSR reporting might seem as an additional investment, but, Malaysian companies should look at CSR as a tool to build reputation. Malaysian firms have to compete with multinational corporations to establish their brand and in order to do so; CSR is a must (Abdul Razak & Fauziah, 2014).

Many firms in the West have made CSR as a key point of differentiation, in order to stand out from their competitor (Porter & Kramer, 2011). KPMG'S report on "The State of Global Corporate Social Responsibility Reporting" found that 95% of Global Fortune Top 250 companies issue a CSR report. In order to be sustainable financially, CSR reporting is the key.

Reporting CSR activities requires a firm to analyse their resources and business processes. Businesses need to consider the environmental value in their processes and align their business strategy with the processes. This gives room for an organisation to identify areas where they can save cost and achieve operational efficiency. Wastes will be reduced through better waste management process and material can be recycled. For example, if we look at "Go Green," a term used by majority of the firms, reducing paper does reduce cost for an organisation. Muhtar Kent, CEO of Coca-Cola has mentioned in Coca-Cola's Sustainable Report 2012 that EKOCYCLE, a program which encourages recycling by using recy-

clered materials such as plastic bottles and aluminum cans to create desirable consumer product has seen great success. When we look at the aspect of saving cost, Walmart US has announced that the company's 2013 sustainability program such as waste diversion, solar and wind power diversion and green roof has led to a cost saving amounting to \$150 million. In this modern business environment, reporting CSR does not only reduce cost, it also creates better ideas for innovation and improvement.

In some instances, the focus on CSR activities leads to a better product innovation which at the same time saves cost for an organisation. In a talk by Wavelength Connect, Former Global VP Marketing & Sustainability of Unilever, Geoff McDonald mentioned that using the lenses of sustainability, the company was able to innovate products which are not only sustainable but also saves cost. "The innovation of product such as hair conditioner using less water will not be possible without the sustainability term", said McDonald.

In 2005, General Electric introduced "Ecomagination" The CEO of General Electric, Jeffrey Immeld in a speech, mentioned that "things that are good for the environment are also good for business". He stressed that General Electric will enjoy accelerated economic growth when it was announced in 2005. Evident from General Electric's Ecomagination initiative, from 2004-2014, the company generated US\$200 billion revenue.

CSR reporting is not only limited to reporting how a firm is taking into consideration the environmental value, it extends into reporting what an organisation does for the community, employee relation, human rights, diversity and the list goes on. When a firm chooses to report on how it's giving importance to employee relation by providing all necessary benefit and facilities for employee, the organisation attracts talented employee. The process of hiring quality staff is eased with CSR reporting. Simply put, "Good staff wants to work for Good firm"!

Some organisations choose to report on their focus on diversity. If we look at Tupperware's sustainability report, they focus on "empowering woman" in their CSR report and this emphasis supports their business model where their sales focus on primarily woman (Tupperware, 2012).

The trend changes from where financial reporting transparencies not only reflect a firm's underlying economic benefit; it also includes transparency in recording CSR activities. The relationship between financial performance and corporate sustainability reporting practices is a virtuous cycle (Preston, O'Bannon) ; (Waddock and Graves). A Waddock and Samuel B. Graves have also proved in their research that Corporate Social Performance does positively associated with prior financial performance. Shareholders believe when a firm has resources to invest in CSR activities and be transparent about it, the firm does perform well financially and this leads to a long term cost cutting strategy. Cost in terms of advertising and marketing cost can be reduced and with a shift in focus to CSR reporting where the prominent identity of an organisation is created. Let's say, this Firm, New Berhad, decided to spent RM2,000 on advertising. The firm spends the same amount of money on charity activities and reports in its annual report. Even though there is no difference on the weightage of the expenses, the value created and heightened of its importance differs. CSR reporting add value to an organisation's reputation and this is a key factor in winning the trust of the shareholders. A survey was conducted by Ernst and Young in 2011, where it was found that "reporting positive deeds" is an important tool in gaining public trust. In 2013, a survey conducted by Boston Col-

lege Centre for Citizenship and Ernst & Young reflected that sustainability reports improve firm reputation. The Nielsen Global Survey on CSR is a proof that a brand's social purpose – what an organisation does for the society is one of the factors that influence a customer's purchasing decision. One of the winners for the ACCA sustainability reporting award for 2013 was MISC Berhad. They reported on ethical business risks through best practices such as eradication of corruption, whistleblowing, no gift policy, workplace diversity, procurement policy, "I save fuel" energy efficiency programme and others. This clearly brings a clear recognition for the company and enhances the value of the organisation on the eyes of the shareholders. The commitment to CSR brings in a new positive perception or rapport from the public on the image of a firm. Communicating the organisation's CSR activities through CSR reporting is critical in maintaining long term success, which would be the concern of shareholders. With a better value of a firm in the eyes of shareholders and potential investors, access to capital can be better. Bloomberg, MSCI and Thomson Reuters have also started to provide sustainable performance analysis since sustainable data is currently becoming the norm in investment decision making for investors. Organisations should not take CSR reporting as pressure or waste of time and money. This article clearly explains that CSR does bring more value than being just a cost for an organisation. CSR yield benefits not only in the area of reputation, but also in term of cost, innovation and employee engagement. The positive role a business plays in protecting the environment is a prestige for the business and creates confidence in the eyes of shareholders and stakeholders which drives the business to perform better than the competitors.

SUSTAINING SUSTAINABILITY: A CORE COMPETENCY IN CORPORATE REPORTING

Ms Meera Eswaran

Sustainable corporate reporting is commonly understood as being the practice of measuring and disclosing sustainability information alongside, or integrated with, companies' existing corporate reporting practices.

Sustainability information can be interpreted as any information discussing on how companies use and affect financial, natural and human resources, and how their corporate governance is conducted.

“How is Sustainability Reporting a Core Competency?”

Corporate sustainability reporting should deliver information to improve decision making value to investors, customers, employees and other stakeholders who are affected by the company's actions. This type of reporting should increase the transparency and accountability of companies. It is considered an important way for companies to demonstrate their performance and long-term economic value, while assuming corporate responsibility and contributing to sustainable development.

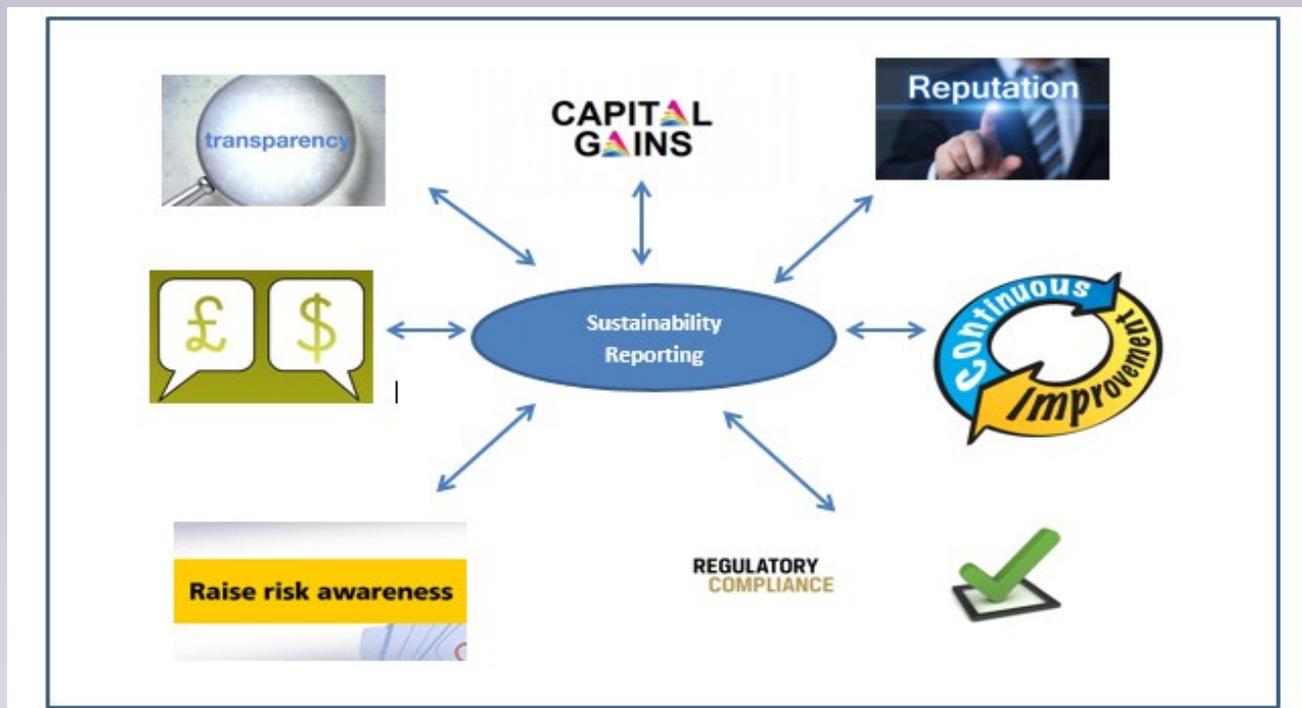


Figure 1: Compiled as an Interpretation of the World Business Council for Sustainable Development (WBCSD) and the United Nations' Environment Program (UNEP)

Figure 1 depicts the potential internal and external benefits associated with Sustainable Reporting. This will be a useful context for companies to understand the potential benefits associated with Sustainable Reporting.

Companies are increasingly being assessed or judged on their sustainability performance and the credibility of their published sustainability reports through a range of awards and indices. Companies may also receive external recognition for their performance in particular dimensions of sustainability related performance.

Therefore, the ‘Sustainability Reporting Genie’ is out of the bottle. As a matter of good management, large organisations are now routinely measuring their stakeholders view and perceptions. As sustainability reporting challenges become more apparent and urgent, it is virtually unthinkable that there will be less demand for Sustainability Reporting in the future, whether the demand comes from regulators, investors, the business itself or civil society.

Together, we need to understand the importance of Sustaining Sustainability in Corporate Reporting.

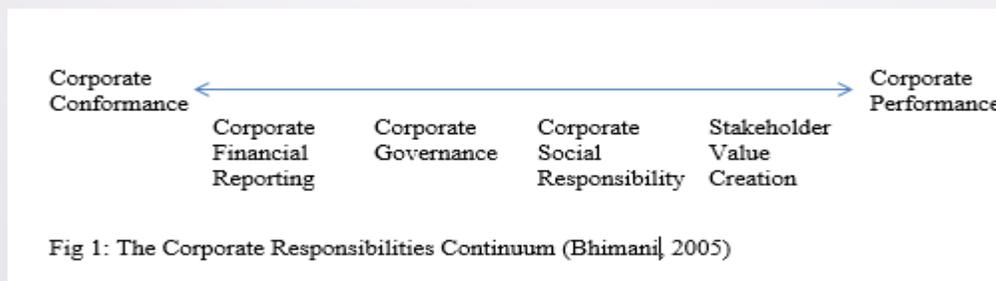
THE FUTURE OF CORPORATE REPORTING

Ms Geetha Rubasundram

Corporate Reporting has many definitions and components, but it boils down to two important indicators: **communication** and **accountability**. Companies are critically re-evaluating how to communicate the financial position and performance of the organisation as transparently as possible to stakeholders. There is an increasing sense among stakeholders that traditional financial reporting, which for most large and listed companies is based on International Financial Reporting Standards (IFRS), is insufficient for the purpose of investing based on the lack of information about future activities. Apart from key areas such as performance and conformance, stakeholders are also interested in the sustainable value creation activities of the organisation.

'Sustainability reporting' is a broad term used to describe reporting on economic, environmental, and social impacts, risks and opportunities. Sustainability reporting has gone through transformation over a period of time; from Corporate Responsibility Reports to Corporate Social Responsibility Reports, Environmental, Social, and Governance (ESG) Report, Sustainability Reports and more recently, Integrated Reports.

In order to integrate the corporate financial reporting to include governance, social responsibility and ultimately, stakeholder value creation, this paper refers to the work of Bhimani (2005) who provided the corporate responsibilities continuum as reflected below:-



Most countries are now at the stage of advocating Sustainability Reporting and Integrated Reporting, both on a voluntary and mandatory basis. All these reports provide a basis to improve reporting, both internally and externally. The ingredient to successfully reporting is to remove the silo mentality and to instead, integrate the business processes and thinking.

Globally, disclosures on sustainability are being driven by legislation as well as the efforts of stock exchanges. Several stock exchanges have been requiring or encouraging their listed issuers to provide sustainability-related disclosures.

The Sustainable Stock Exchanges (SSE) is an initiative aimed at exploring how exchanges can work together with investors, regulators, and companies to enhance corporate transparency, and ultimately performance, on economic, environmental and governance issues and encourage responsible long-term approaches to investment. The SSE is co-organised by the United Nations Conference on Trade and Development, the United Nations Global Compact Office, the United Nations-supported Principles for Responsible Investment and the United Nations Environment Programme Finance Initiative.

There has also been an increasing number of sustainability indices developed under the Dow Jones Sustainability Indexes series (DJSI), FTSE4Good, Ethibel Sustainability Index and MSCI Environment, Social and Governance Indices series in many countries. The DJSI are the first global indices established to track the financial performance of sustainability-driven companies. Sustainability portfolios are managed using reliable and objective benchmarks based on the cooperation between the Dow Jones indices, STOXX Limited and Sustainable Asset Management. At present, the DJSI has launched the DJSI Asia Pacific, DJSI Asia Pacific 40 and DJSI Japan 40, DJSI Korea, and the DJSI Korea 20 in Asia. The FTSE4Good Indices was launched in 2001 and these indices are established within FTSE's responsible investment range. Companies are selected based on how well they manage their environmental and social risks, using criteria that incorporate globally recognised sustainability standards.

Although the focus seems to be more on qualitative information, quantitative measures in terms of the Key Performance Indicators (KPI's) and Financial Statements would also call for changes in assurance as we go along. Hence, the need to have more integrated systems, management processes, accounting standards, auditing standards and communication is definitely a trend for the future.

TO DISCLOSE OR NOT?

Dr. Frederica Mojilic

The evolution of sustainability reporting began with The Brundtland Report presented in 1987 by the World Commission of Environment and Development (UN 1987). This was an important step in bringing about the agenda of sustainability among governments and international businesses. The main objective of the report is to produce a “global agenda for change” to alleviate pressures on the global environment which are considered unsustainable.

Disclosures

There are basically two types of disclosure – mandatory disclosure as in the financial statements of public listed companies, made mandatory by the entity’s prevailing companies’ act or listing regulations and voluntary disclosure as in sustainability reporting (social and environmental reporting). It is an organisation’s choice to disclose information about their social and environmental performance, which means that organisations have a responsibility, and associated accountability, not only for their financial performance but their environment and social performance.

Social and environmental reporting

The concept of social and environmental reporting is similar to the triple-bottom-line reporting where the concept taken is that for an organisation to be sustainable, it must be financially secure, it must minimise its negative environmental impacts, and it must act in conformity with societal expectations or else lose its ‘community licence to operate’. This kind of reporting is mostly voluntary.

While sustainability reporting is normally done on a voluntary basis, in countries such as Denmark, Norway, Sweden and The Netherlands, this form of reporting has already become mandatory. Similarly, regulations adopted in France in 2001 require listed companies to include detailed social and environmental information in their annual reports. The government of countries like Japan, Korea and Denmark have environmental reporting guidelines. In the US, Item 103 of SEC Regulation S-K requires registrants of the SEC to disclose the material effects of that compliance on the capital expenditure and earnings of the reporting company with Federal, State and local environmental laws. In Australia, sustainability reporting has both mandatory (S299, Corporations Act 2001; S516, EPBC Act 1999) and voluntary elements (Voluntary Public Reporting – PER).

A rise in sustainability reporting

Studies have shown that there has been a rise in the number of companies engaging in sustainability reporting. This is due mainly to issues of global warming and the potential impacts of ecological accidents such as chemical leaks, raising society's awareness and concern for the environment. This has resulted in significant tightening of environmental legislation by most Western countries, with accounting regulators getting involved through several initiatives and subsequently, the growing demand for public disclosure of how companies are fulfilling their social and environmental obligations.

Limitations of traditional financial accounting

Financial accounting is often criticised on the basis that it ignores many of the externalities caused by reporting entities. Externalities are impacts that an entity has on parties that are external to the organisation, parties that have no direct relationship with the organisation. Some of these impacts relate to the social and environmental implications of the reporting entity's operations and include such things as the adverse health effects of pollution produced by the entity, or injuries caused to consumers by the entity's products, or the adverse social effects of retrenchment of a workforce.

Increased demand for social and environmental reporting

To this effect also, the stakeholders of an organisation has expanded from the traditional shareholders, to employees, regulatory bodies and non-governmental bodies (NGOs), customers and suppliers, business analysts and local communities. While in the past many corporate managers might have given little direct consideration to stakeholders, other than shareholders, this seems to be changing. The Economist Intelligence Unit found that company executives and investors emphasize on corporate social responsibility as an important consideration in their management decision.

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines

Financial statement reporting is highly regulated. The move towards an international reporting standard will further promote comparability of financial reports when a single set of standard is achieved. The IFRS Foundation through its standard setting body, the International Accounting Standard Board (IASB) aims to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles.

On the other hand, social and environmental reporting is not regulated. In 2002, a set of guidelines termed the Sustainability Reporting Guidelines was developed by a broad group of organisations named the Global Reporting Initiative (GRI) for the purpose of processing social and environmental impact of an organisation's operations. It is from this GRI guideline that governments and corporations in the world have largely adopted/adapted as a basis to develop their own sustainability reporting principles.

Sustainability reporting, synonymous with social and environmental reporting, is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development.

The Guidelines draw on the accepted three-dimensional (economic, environmental and social) definition of sustainability using a series of performance indicators, as well as a set of integrated indicator protocols.

Voluntary environmental disclosure

Research on environmental disclosure has focused primarily on information in annual reports and 10Ks, which are a mix of mandatory and voluntary disclosure. Prior studies on the relationship between corporate environmental performance and environmental disclosure have been mixed. Early studies suggest that environmental

disclosure may have no relationship with environmental performance as a measure of reliability of environmental disclosure. In contrast, some studies found that companies with high pollution propensity, more political exposure and more media coverage are more likely to disclose environmental information.

A significant literature reveals that environmental disclosures can assist in managing an organisation's relationship with the relevant public by the shaping of external perceptions; prosecuted firms reveal more environmental information after the lawsuits than firms that are not prosecuted - a strategy aimed at managing public impressions. Environmental disclosures influence the public image of the organisation and its activities; as such, industries that attract a large amount of media attention are associated with higher levels of environmental disclosure.



Value of environmental disclosure

Most studies find that environmental disclosure have a positive effect on the market returns of stock price. Prior research has also found that voluntary disclosure lowers agency costs, reduces capital cost and improves the market price of securities. Studies also show that socially disclosing portfolios consistently outperform non-disclosing portfolios. The findings indicate that the market positively values social information. These studies suggest that environmental information has information content and is therefore valuable to the market.

Environmental reporting in Malaysia

Prior studies also reveal that demands for environmental disclosure are country specific because of the varying demands for environmental disclosure in different cultures.

In Malaysia, prior research has found that public-listed companies (PLCs) generally have low levels of CSR awareness/reporting and fall behind international best practices in CSR. (Ramasamy and Hung 2004; Keng, Roper, and Kearins 2007; Ghazali 2007; Othman and Ameer 2010; Asria 2010).

In 2005, Malaysia adopted its own sustainability guidelines based on the Global Reporting Initiative (GRI) sustainability framework called 'Sustainability Reporting Guidelines for Malaysian Companies'. The legal and regulatory framework for financial reporting in Malaysia is governed by the Companies Act 1965, accounting standards approved by the Malaysian Accounting Standards Board (MASB) and the Bursa Listing Requirements. There are no specific standards issued by the MASB or under the Companies Act 1965 requiring disclosure of environmental information to

the public. However, Paragraph 9.02 (1) of the Bursa Securities Listing Requirements requires that listed companies " ... disclose to the public all material information necessary for informed investing and take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information".

In 2006, the Stock Exchange of Malaysia, Bursa Malaysia, amended its Listing Requirements to include a "requirement to provide a description of the corporate social responsibility activities or practices undertaken by the listed issuer and its subsidiaries or if there are none, a statement to that effect." At the same time, Bursa Malaysia launched a CSR Framework as a guide for PLCs in implementing and reporting on CSR.

Current development on sustainability/CSR

In 2015, the Bursa Malaysia issued the latest *Sustainability Reporting Guide* and made it a listing requirement for MAIN and ACE listed companies effective on or after 31 December 2016 for most companies.

In this respect therefore, the question "To disclose or not?", may no longer be relevant as companies are now required to report on their sustainability/CSR activities.

BITCOIN: OPPORTUNITIES , FRAUD & REPORTING COMPLEXITIES

Housna Jaypul (TP026197)

Undergraduate Thesis, “An empirical study on the causes of fraud in Bitcoins”, by Housna Jaypul in FBM Library: Supervised By: Ms Geetha A Rubasundram

A cryptocurrency is defined as a type of digital currency, which is coined by cryptography. Therefore, the encryption techniques are used in order to regulate the generation of units of the cryptocurrencies as well as to verify the transfer of funds. The prime feature of a cryptocurrency is that it operates independently and beyond the control of any central authority. The existence of cryptocurrencies revolves around the anonymity and confidentiality by encryption methods, for which a decryption key is required to gain access to the digital information and transactions. As the cryptocurrencies are not controlled by a single political entity, they also do not have a set value. In most cases, their prices are based on how much the buyers are willing to pay to acquire them. Therefore, their floating values are often very volatile and can bounce between different rates during a day. In January 2009, the bitcoin network came into existence with the release of the first open source bitcoin client and the issuing of the first bitcoins, with the creator, Satoshi Nakamoto mining the first block of bitcoins ever. The Bitcoin protocol is a system of open source processes, which governs the currency and is primarily supported by a peer-to-peer network. Such a design enables Bitcoin to work as a payment, which exists outside the traditional payments system.

Despite all the advantages of using bitcoins, the financial regulators, government agents and other fiscal enforcement agencies are worried of the growing rate of crypto-currencies. Due to the nature of the transactions, in particular their secrecy and anonymity, along with the fact that users can make the transactions by using pseudonyms and aliases, it is particularly useful for illegal transactions. Nowadays, fraud can be found everywhere. Wherever there is money tied to any kind of illegal activity, there is always a person or a group of individuals who wish to “launder” the money, making it easy to move throughout the financial system.

With the creation of bitcoins, the bankruptcies and fraud cases have increased, the major one being the biggest heist in history where Mt. Gox lost nearly \$500 million of bitcoins due to a system weakness that led the exchange to file for bankruptcy protection in Tokyo.

Another case where bitcoin is used for illicit transactions is the Silk Road online marketplace, launched in February 2011. Silk Road is a hidden website, which was not available through traditional Internet search engines. The only catch was that the website was trading only in Bitcoin, allowing both parties to deal anonymously and avoiding the eyes of the law enforcements. Although Silk Road is illegal, the trading currency, Bitcoin, falls in between the cracks of a collection of legal frameworks, which made it easier for the website to function, while making it harder for the authorities as they had no legal clear set of rules and regulations on how to deal with bitcoins, especially in legal terms.

In addition, it can be seen that one of the major problems in bitcoins is that there are no internal controls in place. Moreover, in contrast to other cashless payment systems, Bitcoin transactions are irreversible once they have been accepted by the network; which means that any money lost through theft or fraud is non refundable.

During the recent years, Bitcoin has shown its potential as a technology, which is capable of reshaping how individuals view and use money. Despite all the drawbacks, Bitcoin holds many legitimate functions and strength over conventional legal tender, especially for

online transactions. The Silk Road scandal should serve as a reminder to legislators and regulators about what occurs when a new technology is not realised as a potential national security and economic thread.

Having said that, Bitcoins and other cryptocurrencies have grown tremendously and are being used across the world for many business transactions. Corporate reporting would need to take into account this particular business model, and analyse the reporting requirements that would need to be taken into account in order to classify and value the cryptocurrencies accordingly. The California Senate Appropriations Committee has voted to advance a bill that would create a licensing regime. However, the complexity is due to the volatility, lack of formalized markets, inability to hedge exposures and security issues. Apart from that, issues related to tax returns on income would also be affected. Regulators are slowly moving towards structuring such as report, but it would still be a slower paced progress.

THE FUTURE OF INTEGRATED REPORTING

TEO WAI LUN (TP027672)

Undergraduate Thesis, "Assessing the Future of Integrated Reporting in Malaysia", by Teo Wai Lun in FBM Library: Supervised By: Ms Geetha A Rubasundram

Practising accountants have been questioning whether the current reporting model provides a fair reflection of an organisation. The dissemination of not only financial data, but also the social, governance, risk and environmental impact of organisation are increasingly requested by the stakeholders e.g. investors, suppliers, customers, employees, shareholders and related agencies. In fact, the current reporting system does not meet such requirements. Notwithstanding that many corporations in most countries are required by law and regulations to report on non-financial information in their annual reports, yet there is a lack of coherence between these information to the economic drivers, financial information, social and environmental impacts.

As such, the key to meeting the requirements and expectations of stakeholders would be Integrated Reporting, also known as <IR>. On December 2013, International Integrated Reporting Council ("IIRC") released a principle-based framework on <IR>. It is observed that to produce an <IR>, the companies would start with a Corporate Social Responsibility ("CSR") or Sustainability Report. The current reporting practices on international frontline in relation to <IR> can be seen through examples of mandated legislations/ regulations by several countries as follows:

Country	Current Reporting Practice
Argentina	Companies with more than 300 employees are required to prepare annual sustainability reports in compliance with Global Reporting Initiative's ("GRI") G3 Guidelines.
European Union ("EU")	EU companies with more than 500 employees are required to increase their disclosure of nonfinancial information.
Japan	A corporate reporting lab had been set up by Japan's Ministry of Economy, Trade and Industry.
Malaysia	All companies listed on Bursa Malaysia (also known as Kuala Lumpur Stock Exchange, "KLSE") are required to disclose information on CSR activities in their annual financial reports.
Singapore	Singapore Accountancy Commission had set up a South East Asia hub to encourage <IR> in the region.
South Africa	All listed companies in Johannesburg Stock Exchange ("JSE") are required to apply or explain <IR> in compliance with King III report.

Although we have mandated regulations for Malaysian companies to report CSR activities as mentioned earlier, there are findings suggesting that there is a lack of coercive pressure and normative influence for them to adopt CSR practices. Researches have shown that it is mimetic mechanism responsible for such adoption, thus this constitutes that CSR is still a misunderstood subject for practicing Malaysian companies.

There are several factors to be considered in order for the true notion of <IR> to be implemented. IIRC has identified Integrated Thinking to be the main thrust for adoption of <IR>, which drives the companies to think and analyse beyond the silo-ed approaches towards the picture of the interconnectedness of both financial and non-financial information. Other factors also include:

- **Management** with desired tone from the top and strong commitment in implementing <IR> on a continuous effort;
- **Employees** with required skills, expertise and competency;
- **Management Information System** e.g. ERP (“Enterprise Resource Planning”) System;
- **Financial resources** for providing training to employees, and for upgrading and maintaining integrated systems;
- **Integrated Assurance** to be obtained from an integrated audit; AND/OR
- **Integrated Governance, Risk and Compliance** (“iGRC”) to break the silo-ed approaches in governance and risk management systems.

The drivers for <IR> are not limited to the context of the discussions above. It is crucial for organisations to assess their internal and external environments. Different business processes have distinct stakeholder engagement processes, which results in varied visions and missions. Ultimately <IR> can be a potentially powerful competitive advantage for the organisations.

Keywords: Integrated Reporting; Corporate Reporting; Integrated Governance, Risk and Compliance; Sustainability Reporting; Corporate Social Responsibility

Note:

For further reference on the basic understanding of <IR>, please refer to the article, “*An Introduction to Integrated Reporting & Integrated Governance Risk Compliance (GRC)*”, by Geetha A. Rubasundram, in APU SA-FIQS Newsletters First Edition September 2015.

THE INTEGRATED REPORT CONTEXT & STAKEHOLDERS

Mr Suresh Balasingam

The International Integrated Reporting Council (IIRC) released a framework for integrated reporting in July 2013 and followed a three-month global discussion and trials in 30 different countries.

This framework inaugurates principles and concepts that govern the overall content of an Integrated Report. An Integrated Report sets out how the organisation's policy, governance, performance and projections which lead to the creation of value. There is no benchmarking for the above matters and the report is aimed primarily at the private sector but it could be adapted for public sector and not-for-profit organisations.

The purpose of an Integrated Report is to explicate the providers on financial wealth and how an organisation creates value over time. An Integrated Report provides stakeholders with an insight into a company's ability to create value. This includes employees, customers, suppliers, business partners, local communities, legislators, regulators and policymakers, even though IR is not directly aimed at all stakeholders. Sources of financial capital can have a substantial consequence on the capital apportionment and an attempt to aim the report at all stakeholders would be an unbearable task as this would reduce the focus and surge the length of the report. This will be contradictory to the objectives of the report, which is value creation.

Historical financial statements are critical in corporate reporting, particularly for compliance purposes, but it does not deliver significant information regarding business practices. Users need a more progressive focus without the necessity of companies providing their own predictions and projections. Companies have acknowledged the benefits of showing a fuller picture of company value and a more universal view of the organisation.

The International Integrated Reporting Framework will encourage the preparation of a report that shows their performance in contradiction of strategy. It explains the various capitals used and affected, and also gives a longer-term view of the organisation. The Integrated Report is able to generate the next cohort of the Annual Report as it enables stakeholders to make a more up-to-date assessment of the organisation and its prospects (IIRC, 2014).

RELATIONSHIP WITH STAKEHOLDERS (cont)

An Integrated Report should provide perception into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and retorts to their needs and interests. Further, the report should be reliable over time to enable contrast with other entities.

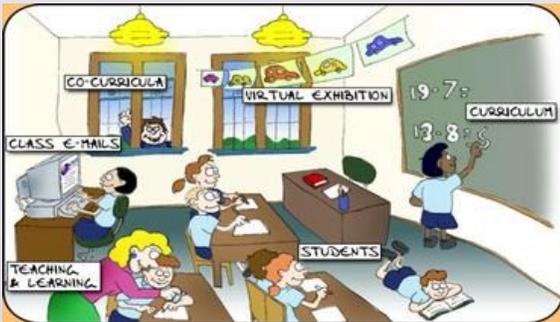
According to IFRS release, South African organisations have been recognised as among the leaders in this area of corporate reporting with many listed companies and large state-owned companies having delivered Integrated Reports. An Integrated Report may be prepared in response to existing compliance requirements – for example, a management commentary. Where that report is also prepared according to the framework, or even beyond the framework, it can be considered an Integrated Report. An Integrated Report may be either a standalone report or be included as a unique part of another report or communication. For example, it can be included in the company's financial statements.

The IIRC measured the nature of value and value creation. These terms can include the total of all the capitals, the advantage taken by the company, the market value or cash flows of the organisation and the successful achievement of the company's objectives. However, the inference reached was that the framework should not define value from any one particular perspective because value is contingent upon the individual company's own perspective. It can be revealed through drive of capital and can be defined as value created for the company or for others. (IIRC, 2014) An Integrated Report should not attempt to measure value as assessments of value are left to those using the report.

Numerous respondents felt that there should be a condition for a statement from those 'charged with governance' recognizing their responsibility for the integrated report in order to ensure the reliability and credibility of the integrated report. Additionally, it would increase the accountability for the content of the report.

Companies struggle to interconnect value through traditional reporting. The framework can demonstrate an effective tool for businesses looking to shift their reporting focus from annual financial performance to long-term shareholder value creation. This framework will be eye-catching to companies who desire to develop their narrative reporting around the business model to explain how the business has been developed.

CPTAF ACTIVITIES



CSR – MYTH OR REALITY FORUM

Ms Geetha Rubasundram

In line with the theme on Corporate Reporting, a group of students from SAFIQS organised a CSR Forum on 18th April 2016 titled “CSR – Myth or Reality”. The forum was part one of the three phased CSR project plan. Three youth guest speakers were invited from-

- * Kechara Soup Kitchen Society – Mr. Justin Cheah
- * Fun Charity – Mr. Suresh Naidu
- * Selangor & Wilayah Persekutuan Family Reproductive Health Association (FREHA) – Ms. Juliana Ooi

The speakers provided an insight into their experiences as youth volunteers and the various projects carried out by their organisations. The session also included a briefing on Integrated Reporting by Ms Geetha Rubasundram, which includes Corporate Social Responsibility as part of the Value Creation process and reporting.

The forum marked the start of the second phase whereby the students would be raising funds via a donation drive to fund the final phase where the committee would be hosting a group of orphans from selected orphanages for a half-day outdoor activity. Student volunteers from the university are welcome to join the outdoor activity. The committee would like to thank all staff and students of APU for their support and also, Prof. Dr. Siva Muthaly for his support in the event. It was opened up to the entire university and we appreciate the support from all who assisted in spreading the news of our project.



FYP KNOWLEDGE SHARING SESSIONS: FOR STUDENTS, BY STUDENTS

The 3rd session of the FYP Knowledge Sharing Sessions was held on 20th November 2015. The students, had volunteered to present their FYP's in front of their fellow students, which mainly consisted of those students who had just started their FYP's. These sessions assisted to provide guidance as well as motivation for the junior students. It also opened their minds to possible research topics for the FYP's.

We would like to acknowledge the following students who have presented in the session:-

- 1) Aminath Shafeeq
- 2) Teo Wai Lun
- 3) Thatchaiyini A/P Uttaman
- 4) Afa Afeena Mazanan
- 5) Fong Xin Zhe
- 6) Lee Yee Ting
- 7) Ngo Tyug Woan
- 8) Aidinai Chinbaeva
- 9) Baskaran A/L Muniandy

We wish them all the best in their future undertakings. If any student would like to volunteer for our next session, please contact Ms Geetha Rubasundram or Mr Suresh Balasingam for details.

CPTAF 1ST NEWSLETTER PRESENTATION

Mr Suresh Balasingam

The CPTAF newsletter was created with our students in mind, in order to enhance the scope of their education. The first newsletter that was published in September 2015, was distributed online to students. The lecturers who contributed the articles in the newsletter were eager to share more with their students hence the newsletter presentation session was organised on 10th March 2016.

We would like to thank the following lecturers who presented:-

- 1) Geetha A Rubasundram
- 2) Hafinaz Hasniyanti
- 3) Meera Eeswaran
- 4) Nur Azam Anuarul
- 5) Suresh Balasingam

We would like to thank the following lecturers who had contributed as well:

- 1) Iqbal Singh Munjal
- 2) Lai Siew Fong
- 3) Ng Hui Chen
- 4) Vikneswaran Manual

We also would like to thank Prof. Dr. Siva Muthaly for supporting us in the event and his opening speech. The students who attended enjoyed the session and also gain some ideas especially for the development of their Final Year Project (FYP).

SAFIQS ACHIEVEMENTS & MILESTONES

SEPT 2015- APR 2016



“PILLARS OF WEALTH INDUSTRIAL TALK SESSION”

MS HAFINAZ HASNIYANTI HASSAN

On 18 February (Thursday) 2016, an Industrial Talk Session was conducted in M-Room 19, FBM @ Mines. This event was organized by Ms. Hafinaz Hasniyanti Hassan from Banking, Finance and Insurance department of School of Accounting, Finance and Quantitative Studies (SAFIQS). This event was held for the purpose of sharing industrial experiences by the outside experts with the students. The session lasted for one and a half hours, from 11:00am to 12:30pm.

Two Industrial speakers, Ms Azniza Binti Abdul Wahab, a Shariah Registered Financial Planner and her partner, Mr Suhaimy Bin Kassim, an Independent Business Associate had conducted the talk, titled “Pillars of Wealth”. Both of the speakers have more than 15 years of working experience with various fields of banking and investment industry.

The sharing and engaging session received overwhelming responses, as it saw the participation of almost 100 students and also supported by the lecturers from the School of Accounting, Finance and Quantitative Studies (SAFIQS). The guest speakers were very impressed by the hospitality shown by the students and members of SAFIQS, and were delighted by the positive responses given by the audience.



INTERNSHIP - SUCCESS STORIES

MS ROZITA AYU ZULKIFLI

(LECTURER & INTERNSHIP COORDINATOR
FOR FBM)

The inaugural batch for internship UC2F1410 had successfully completed their 12 weeks of internship on 6th of November 2015. 132 students went for their internship training locally and overseas. In this round of structured internship, students faced challenges in adapting to the corporate culture and environment. It was also the first time for APU lecturers to supervise the students for internship as well. A lot of issues and queries were brought up during briefings and meetings. As a result, more ideas were generated to improve the internship process. More companies were approached to become APU's internship partners.

The School of Accounting, Finance and Quantitative Studies (SAFIQS) is proud to announce that Mari Giam from Vietnam completed her internship with BDO Malaysia with flying colours under the MY ASEAN Internship: Beyond 2015 which is a collaboration between Ministry of International Trade and Industry (MITI) and Talent Corporation Malaysia (TalentCorp). Dato Gan Ah Tee who is the Managing Partner was also present with Mari Giam at the closing ceremony on 6th of November 2015 at Quill City Mall. Some of the students really took their training seriously and excelled. They were offered permanent jobs even though employers technically have to wait for another one year. This proves that the internship training, given the right effort and focus will definitely translate into increased graduate's marketability.

The third batch (UC2F1505) has just started their internship on the 21st of March with increased placement among the Big 4. Actuarial students and accounting students have started their training with the Big 4: PWC, Ernst & Young and KPMG. A number of banking students are currently with HSBC, RHB and OCBC, Sapura, expressed contentment with the previous intern that they are once again taking the current students under their wing.

This indeed would be a long term relationship between APU and employers in shaping the right talents into the job market. This internship module would not have materialised without the full support and input of colleagues and the dedicated and inspiring staff of APU who tirelessly spent with their students, on internship visits and Skype sessions.

As the internship coordinator, I look forward in engaging with students to build up their confidence and in meeting the employers' expectations. After the first batch and feedbacks from employers, communication workshops were organized to reduce the gap between classroom and boardroom. This would not be possible without the support from the Media School who has taken the initiative to expose the students to communication techniques and issues.

After going through two rounds of internship cycles, the internship committee has decided to embark on a more hands-on approach by organising communications workshops and report writing training to enhance students' readiness into the corporate world.



SAP ENDORSED ENTERPRISE RESOURCE MANAGEMENT (ERM) CHALLENGE 2016

MS GEETHA A RUBASUNDRAM

As part of their preparation to participate in the SAP Endorsed Enterprise Resource Management Challenge, APU students have attended a Familiarisation Session with a trainer from Monsoon Sim SAP. They have also played friendly matches against participants from Thailand and Indonesia.

The challenge uses gamification to provide experiential learning for the students. The students are provided with capital and resources, and are supposed to make the best amount of profits by integrating all components of the ERP. The challenge provides a hands on basis for students to apply their academic studies, hence the School of Accounting, Finance and Quantitative Studies (SAFIQS) was enthusiastic to motivate and coordinate the APU students to participate.

We appreciate the efforts of our lecturers, Geetha A Rubasundram (FBM), Vinothini Kasinathan (FCET), Selvakumar Samuel (FCET) and Mohamad Firdaus Che Abdul Rani (FCET) who have been working hard with the inter-faculty teams to prepare the students for the Malaysian finals in August.

We wish the teams “Good Luck”.



APU – AICB MOU



BFM Interview

CATCH ME IF U CAN: A FRAUD INVESTIGATION

Geetha Rubasundran, Asia Pacific University | Meera Eeswaran, Asia Pacific University

15-Feb-16 14:06



ICMSS



Best Presenter Award



Best Conference Team

APU – ACCA MOU



APU – SQL MOU & TRAINING

