<IR>: 2014 in Reflection
A glimpse into the key events and milestones of Singapore's <IR> journey in 2014
ABOUT THE INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA’s vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community.

Established in 1963, ISCA shapes the regional accountancy landscape through advocating the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore’s transformation into a global accountancy hub. Our stakeholders include government and industry bodies, employers, educators, and the public.

ISCA is the Administrator of the Singapore Qualification Programme (Singapore QP) and the Designated Entity to confer the Chartered Accountant of Singapore – CA (Singapore) – designation.

It aims to raise the international profile of the Singapore QP, a post-university professional accountancy qualification programme and promote it as the educational pathway of choice for professional accountants seeking to achieve the CA (Singapore) designation, a prestigious title that is expected to attain global recognition and portability.

There are over 28,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

For more information, please visit www.isca.org.sg.
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FOREWORD

2014 has been a busy and fruitful year in Singapore’s Integrated Reporting (IR) journey, with efforts by ISCA and IR supporters to further raise awareness and promote the importance and necessity of IR to the future of corporate reporting.

Organisations exist for a variety of reasons, among which is to carry out an important mission of creating value. The beneficiaries of value creation could be capital providers, employees, suppliers, customers and even the society at large. ISCA encourages organisations to share their value creation story through enhanced corporate reporting that promotes efficient allocation of scarce resources, leading to wealth creation for the nation and ultimately, improve quality of lives. IR is an important strategic tool for this mission.

I am proud to say that Singapore is at the forefront of IR developments in the Asia Pacific region, with DBS, a top 10 listed company on the Singapore Exchange, leading the pack by being the first company in Southeast Asia to adopt IR. Also, Ms Chng Sok Hui, Group CFO of DBS, is Singapore’s representative on the International Integrated Reporting Council (IIRC). She provides a Singapore perspective on the international development of IR.

ISCA, with the formation of the IR Steering Committee – the first of its kind in this region, is showing its dedication towards the promotion of IR in Singapore. This committee brings government agencies together with senior practitioners, investors, leading corporates and academia to lead and influence the continued development of the International IR Framework.

The committee members are committed to our mandate, and together with our partners in ISCA and other supporting organisations, we have achieved many milestones in 2014. One example is the ISCA-National University of Singapore joint study to examine the current state of play of IR in Singapore covering the level of awareness and understanding. This study establishes a foundation for the formulation of policy decisions and to enhance corporate reporting in Singapore.

There are many more examples of milestones and collaborations that can be found within the pages of this inaugural year book – something which I thought we needed to put on record the good work done in the area of corporate reporting and the development of IR in Singapore. Last but not least, I would like to express my gratitude to the many partners and contributors who have made our IR journey a fruitful one as well as the activities featured in this year book possible.

I hope you enjoy this year book as much as ISCA and I, together with my fellow committee members, have enjoyed putting it together for you.

Dr Ernest Kan
Chairman, ISCA IR Steering Committee
Chief of Operations (Clients & Markets), Deloitte Singapore
Leaders Joining Hands to Promote <IR>

ISCA <IR> STEERING COMMITTEE

ISCA formed the <IR> Steering Committee – the first of its kind in this region – to provide leadership and oversight for <IR> promotion in Singapore and to influence the continued development of the International <IR> Framework. The inaugural meeting of the ISCA <IR> Steering Committee took place on 14 April 2014 – its official birth date.

The Steering Committee comprises the following members of the leading corporate reporting stakeholders in Singapore, and is chaired by Dr Ernest Kan, Chief of Operations (Clients & Markets), Deloitte Singapore.

The International <IR> Framework establishes guiding principles and content elements that govern the overall content of an integrated report. The Framework is available at: http://www.theiirc.org/international-ir-framework/
Leaders Joining Hands to Promote <IR> (cont’d)

ISCA <IR> STEERING COMMITTEE

The Steering Committee was given the following mandate:

1. to raise awareness and understanding of Integrated Reporting in the region;
2. to play a leading role for the region in influencing and shaping the continued development of the <IR> Framework at the global level; and
3. to promote adoption and implementation of Integrated Reporting in the region.

Five work groups were subsequently formed to support the Steering Committee in the implementation of its strategic objectives for Integrated Reporting in Singapore and the region.
Transforming for Tomorrow and Championing Excellence

ISCA’S POSITIVE STRIDES TOWARDS THE ADOPTION OF INTEGRATED REPORTING

Leading by example, ISCA adopted the Integrated Reporting format for its 2013/2014 annual report. This annual report laid the foundation for effective communication of the value drivers of ISCA’s transformative journey into a professional accountancy body with global membership, outlook and standing. It also helped deepen the appreciation among the ISCA members on the key initiatives and activities undertaken by ISCA to transform itself into a member centric organisation to better serve the diverse needs of its members.

There are now clearer linkages between our key initiatives, strategic priorities and mission statements. Our members can better understand why we do the things we do.

Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance
Institute of Singapore Chartered Accountants

2 ISCA annual report is available at: http://isca.org.sg/the-instituteanual-report/
The Evolution of Corporate Reporting

SAC <IR> FORUM

Singapore Accountancy Commission (SAC) organised an <IR> Forum in April 2014, featuring a welcome address3 by Michael Lim, Chairman of SAC, and a keynote address4 by Paul Druckman, CEO of IIRC.

With the global economy in transition, corporate reporting must adequately show how companies create value in the short, medium, and long term. Focusing on historical financial transactions alone fails to take into account 80% of the intrinsic value of a business. There should be a greater recognition of the importance of intellectual property, relationships and networks.

“The emergence and evolution of <IR> as the new norm for corporate reporting, coupled with SAC’s ongoing efforts to transform the Singapore accountancy sector would contribute and complement Singapore’s vision to become the leading Global-Asia financial and business hub as laid out in the Economic Strategies Committee Report of February 2010.

… I was greatly encouraged by the work of the IIRC and that was where the idea of positioning Singapore into the hub of <IR> for South East Asia was first mooted.”

Michael Lim
Chairman, SAC

“A generation ago, manufacturing and the production of physical assets was the major driver of value; today it is knowledge – the intellectual property, relationships and networks that are the cornerstones of value creation in the early 21st century.

I want Integrated Reporting to lead ... the transition from an ‘information age’ to a ‘better informed age’, which will benefit businesses, markets, and the beneficiaries – pension fund holders and ordinary savers.”

Paul Druckman
CEO, IIRC

3 Michael Lim’s speech is available at: http://www.sac.gov.sg/sites/default/files/publication-documents/Welcome-Address-by-Chairman-SAC_0.pdf
4 Paul Druckman’s speech is available at: http://www.sac.gov.sg/sites/default/files/Keynote-Speech-by-Chief-Executive-Officer-IIRC.pdf
Does Better Disclosure in <IR> Increase Corporate Valuation?

STUDY BY NANYANG TECHNOLOGICAL UNIVERSITY

Professor Gillian Yeo, Associate Dean of College of Business, Nanyang Business School at Nanyang Technological University, and Associate Professor Lee Kin Wai, Nanyang Business School at Nanyang Technological University, examined the association between <IR> and firm valuation. Using a sample of over 100 South African companies listed on the Johannesburg Stock Exchange, where <IR> is part of the listing requirements on a comply-or-explain basis, the authors constructed a firm-specific <IR> score to measure the degree of compliance with the International <IR> Framework. The study found a positive correlation between the quality of <IR> disclosures and firm valuation, providing empirical evidence that providers of financial capital do value Integrated Reporting.

The study found that there is a positive and statistically significant correlation between improving <IR> disclosure and an increased market value of companies. The findings of the study were presented at the Singapore Accountancy Commission’s <IR> Forum in April, as well as the ISCA <IR> Forum in July 2014.

“Prior research has established relationship between disclosure and a firm’s corporate valuation and cost of capital. Our research shows that firms with better integrated reports do enjoy higher equity valuations.”

Prof Lee Kin Wai
Associate Professor, Nanyang Business School
Integrated reporting is a response to the call for a more holistic form of corporate reporting. As the national accountancy body of Singapore, we are excited to work towards better corporate reporting together with our stakeholders on the <IR> Steering Committee and like-minded partners in the region.

Yee Cheok Hong
Executive Director, Policy and Strategic Planning,
Institute of Singapore Chartered Accountants
Relevant Reporting – A Strategic Choice

ISCA <IR> BREAKFAST TALK

Chen Voon Hoe, Accounting Advisory & Corporate Reporting Leader and Senthilnathan Sampath, Associate Director, both at PwC Singapore, raised awareness and educated the ISCA members on <IR> over breakfast.

Voon Hoe provided an overview of the principles and key content elements of <IR>, best practices, and the benefits achieved by those companies which have participated in the <IR> Pilot Programme – emphasising that the benefits of <IR> outweigh the initial efforts put in.

Senthilnathan described how a company can embark on the <IR> journey, and shared examples of firms that have embraced <IR> elements.

“Companies with better disclosure clearly differentiate where their competitive advantage is, integrate their strategies and priorities throughout the annual report, link market discussions to strategic choices, and align their key performance indicators with strategic priorities.”

Chen Voon Hoe
Accounting Advisory & Corporate Reporting Leader, PwC Singapore
ISCA <IR> FOCUS GROUP WITH DBS AND CLP GROUP

Dr Jeanne Ng, Director – Group Sustainability at CLP Group, and Mikkel Larsen, Managing Director at DBS, co-chaired a focus group organised by ISCA. They shared their <IR> adoption journey and highlighted the benefits their respective companies have reaped, and answered questions from a group of senior management from leading companies in Singapore.

“We have seen remarkable differences in how our colleagues are interacting with one another and how much more collaborative and cooperative employees are across teams. Integrated reporting has brought about the interdepartmental relationships that will be key to enhancing CLP’s long term performance.”

Dr Jeanne Ng
Director – Group Sustainability, CLP Group

“The internal benefits of <IR> are significant, and can be larger than the external benefits.”

Mikkel Larsen
Managing Director, DBS
30 July 2014 saw the congregation of leading <IR> experts and over 280 delegates, which included senior representatives from international accounting networks and accountancy bodies, at the ISCA <IR> Forum at Marina Bay Sands, to celebrate and to listen in on the good progress made in the development of <IR> globally and in this region.

“With centuries of experience in financial reporting, ACCA believes that accountants are in the perfect position to knit together the disparate forms of corporate reporting. The influence and impact of the profession regarding <IR> cannot be underestimated. My belief is that we can and will lead the way. But we cannot do it alone and neither should we.”

Helen Brand, OBE
Chief Executive, ACCA
We see Integrated Reporting as the logical and inevitable next step on our journey towards greater ‘coherence, consistency and comparability’ in corporate reporting.

We believe that <IR> constitutes the gold standard going forward for effective communication of results in a manner that is not only relevant to investors and other providers of capital primarily, but also to regulators and a wider range of stakeholders for every company.

Dr Ernest Kan
Chairman, ISCA <IR> Steering Committee
Chief of Operations (Clients & Markets), Deloitte Singapore
Understanding <IR> in Singapore – The Next Steps

ISCA-NUS STUDY ON <IR> IN SINGAPORE

ISCA published a report based on a survey jointly conducted with Prof Ho Yew Kee, Head of the Accounting Department at the NUS Business School. The findings reveal relatively low levels of familiarity with <IR> among ISCA members, which suggests the need for a significant educational role for ISCA and the relevant stakeholders. Cost was seen as the main concern for adopting <IR>. However, the majority see <IR> as a useful tool for decision making.

Integrated reporting can be seen as an evolutionary process for corporate reporting, whereby companies level upwards from financial reporting to sustainability reporting and ultimately to integrated reporting.

Prof Ho Yew Kee
Head of Accounting Department, NUS Business School

What Good Reporting Looks Like

CFO CONNECT SYMPOSIUM

Singapore CFO Institute organised the CFO Connect Symposium in August 2014. Highlights included onstage Interview sessions with Global CFOs of LinkedIn and TÜV SÜD, original research presented by Sallie Pilot, Director of Research & Strategy at Black Sun, and an interactive panel discussion on issues close to the hearts of CFOs. Attendees included CFOs, finance directors, board of directors, finance controllers, and aspiring CFOs.

Sallie Pilot discussed the development and benefits of Integrated Reporting and presented her team’s research, “What good looks like”, which included a summary of the trends and journeys among early <IR> adopters in different regions and industry sectors around the world.

Companies that have significant impact on the environment, such as those in the extractive industries, are leading the way in <IR> by actively managing and reporting their environmental and social performance.

There is great diversity in <IR> among early adopters, both in terms of content and structure.

In the Asia Pacific region in particular, companies show positive developments in their reporting on mission, values and vision, communicating and explaining their value chain and including a risk section in their integrated reports. There is much opportunity for development in terms of providing a longer term and broader perspective, with greater focus on business model reporting and the identification of the specific KPIs used to measure value creation.

“I’m delighted to see from those businesses who have taken a lead on making their corporate reporting and thinking more relevant, the very significant positive impact that moving towards better reporting is having on changing mind-sets, information sources and decision making processes. This is leading to improved internal and external engagement, better collaborative thinking and ultimately better business decisions.”

Sallie Pilot
Director of Research & Strategy, Black Sun
Peer-to-peer Learning for Better Corporate Reporting

SINGAPORE <IR> BUSINESS NETWORK GETS OFF THE GROUND

The <IR> Business Network was formed as one of the five work groups under the ISCA <IR> Steering Committee. The work group is chaired by Mikkel Larsen, Managing Director at DBS.

Following the success of the <IR> Focus Group with DBS and CLP Group in July, the <IR> Business Network got off the ground with its first meeting in September 2014. Business Network participants engaged in discussion and peer-to-peer learning on topics related to <IR> and corporate reporting. To date, pioneering participants in the Business Network include leading Singaporean companies such as City Developments Limited (CDL), Keppel Corporation Limited, Olam International, Sembcorp Industries, Singapore Exchange (SGX), Singapore Press Holdings (SPH), Singtel and UOB – and two statutory boards: The Maritime and Port Authority of Singapore (MPA) and Singapore Accountancy Commission (SAC).

MPA, represented by Yvonne Chan, Director (Corporate Development)/CFO, noted that the opportunity to engage in peer-learning with other pioneering companies can complement their efforts to improve communication and reporting of the value MPA creates for Singapore and in blazing the trail for other companies in the maritime industry to follow suit.

“We are excited to learn from a broad set of sustainability and <IR> stakeholders in Singapore as we embark on our journey towards better corporate reporting. Integrated reporting allows us to communicate our value to our various stakeholders, including international organisations, regulators, our customers and partners, as well as our employees and the Singapore public. In doing so, we are hoping to set a new benchmark for other like-minded companies in the maritime industry to follow and eventually produce their own integrated reports.”

Yvonne Chan
Director (Corporate Development)/CFO
Maritime and Port Authority of Singapore (MPA)
Telling the Accountancy Sector Story

SINGAPORE ACCOUNTANCY COMMISSION (SAC) PRODUCED ITS INAUGURAL ANNUAL REPORT

As a supporter of the IIRC Framework released in December 2013 and in its bid to lead in promoting Integrated Reporting adoption in Singapore, SAC implemented Integrated Reporting through its first annual report. The report informed stakeholders of SAC’s value creation story in a concise and coherent manner, outlining their strategies, performance and vision for the accountancy sector.

“Through SAC’s inaugural annual report, we tried to clearly communicate our strategic message such as – What is our business model? How do we create value? What is value? What is our way forward?”

Uantchern Loh
Chief Executive, SAC

ISCA organised a roundtable to discuss the road ahead for assurance in general, and assurance on <IR> in particular. The Roundtable was co-chaired by Prof Ho Yew Kee, Head of the Accounting Department at NUS Business School, and Michael Nugent, Technical Director at IIRC. The participants discussed different views on assurance for <IR>.

Singapore was the fourth location to host a roundtable on <IR> and assurance with the IIRC, after South Africa, Madrid, and Kuala Lumpur. Subsequent roundtables took place in New York City, London, Paris, Brussels, Australia, Scandinavia and San Francisco.

Michael presented <IR> as a framework building on existing reporting frameworks, and discussed different approaches to building credibility in corporate reporting – including management practices, internal audit, and external audit.

The Roundtable was covered by The Straits Times, in an 11 October 2014 article titled “Seeking global investors? Use integrated reporting”.
The global financial crisis made more investors and regulators aware that we are not achieving financial stability. It’s not just about financial capital, but also manufactured, human, natural, intellectual, social and relationship capital, which are all important and have a role to play in creating value.

Michael Nugent
Technical Director, IIRC

Global investors are looking for a language of corporate reporting that they can compare and use on a global basis. <IR> provides a benchmark for Singapore companies to engage global investors, and firms can push themselves into the global capital markets if they speak that language.

Jonathan Labrey
Policy and Strategy Director, IIRC
On 2 October 2014, the Investor Relations Professionals Association (Singapore) (IRPAS), organised a lunchtime roundtable discussion titled “Corporate Reporting Levelling Up: The Integrated Reporting Journey”.

The Roundtable brought together a panel of experts to share insights on the nature and application of IR, international best practices, the benefits of adoption, and practical advice for companies considering embarking on IR. The Roundtable was chaired by Harold Woo, President of IRPAS, and the panellists at the Roundtable included Dr Miao Bin, Research Director at ISCA, Gareth Richardson, CEO at Sedgwick Richardson, Chris Hill, CEO Southeast Asia at Black Sun, Darrell Lim, Head of Investment Relations at SGX, and Marcus Sultzer, CEO Asia-Pacific at EQS TodayIR.

“Adoption of integrated reporting is a logical next step for corporations globally as investors demand greater transparency and higher quality disclosure, which is paramount to effective stakeholder communications in today’s competitive business environment.”

Harold Woo
President, IRPAS
PwC Singapore released a study at an event jointly organised with the Singapore Institute of Directors (SID) on 24 November 2014. The findings from the study were earlier presented at the ISCA <IR> Forum held on 30 July 2014.

PwC conducted a six-month study to analyse the current reporting of the 30 companies listed on the Straits Times Index of the Singapore Stock Exchange in relation to the guiding principles and content elements of the International <IR> Framework.

Using a benchmarking tool consisting of 110 questions related to the International <IR> Framework, the study looked firstly at whether companies include certain information in their reporting, and secondly “how integrated” the information is with other information in the reports.

The study found that despite not claiming to be integrated reports, nearly half of the 30 companies include 30% to 70% of content that the International <IR> Framework advocates. This indicates that many companies already possess the necessary data for adopting many aspects of <IR>. Some companies, in fact, are already reporting the same information as what should be included in an integrated report. However, in many cases, the missing link remains the connectivity of information within the report.

“Integrated thinking breaks down silos within the organisation to consider its key capitals, strategy and business model. The integrated report communicates the short, medium and long term value creation process in a clear, concise and understandable language to various stakeholders.”

Yeoh Oon Jin
Executive Chairman, PwC Singapore

7 The full study is available at: http://www.pwc.com/sg/en/risk-assurance/ir-towards-more-relevant-reporting.jhtml
On 4 December 2014, George Serafeim presented his research to the ISCA <IR> Steering Committee. George noted that integrated reports should communicate how the company creates value. A good integrated report provides relevant, credible and timely information on how the organisation leverages all the different forms of capital to create value over time.

George’s research indicates that <IR> can help a company overcome the disconnect between reporting and communication with investors. His research also indicates that companies that have better disclosure in their integrated reports are able to attract longer term investors.

With <IR>, corporate reporting and investor communication can be better aligned to achieve the strategic objectives of the company.

“Integrated Reporting should be a strategic exercise, not a reporting exercise.”

George Serafeim
Jakurski Family Associate Professor, Harvard Business School
Risks and Opportunities with Integrated Reporting

Singapore Accountancy Commission, together with a research team from the National University of Singapore (NUS) Business School, conducted a first of its kind study of the risk management and Integrated Reporting literature. The study provides preparers with guidance on meeting informational needs of their stakeholders regarding Risks and Opportunities (R&O).

This Guide aims to set up an ideal framework for R&O management and to propose a template for R&O disclosure. The Guide also includes a section where the proposed R&O disclosure template is used to benchmark the disclosure practices of a sample of the Straits Times Index companies.

As R&O is one of the eight content elements in the International <IR> Framework, the Guide may be a good starting point for organisations interested to implement Integrated Reporting.

“Doing business is not only about how much you can profit but also about how much you can afford to lose. This guide helps businesses assess and integrate these two elements into corporate reporting.”

Dr Vincent Chen
Head, Accountancy Sector Research Centre, SAC

<IR>: 2014 in Reflection

A glimpse into the key events and milestones of Singapore’s <IR> journey in 2014

The team that made this Yearbook happen:

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The team would also like to thank the <IR> stakeholders in Singapore who contributed to this Yearbook.