



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

30 April 2020

Mr Olivier Boutellis-Taft

Chief Executive

Accountancy Europe

Avenue d'Auderghem, 22-28/8

B-1040 Brussels

Dear Olivier,

**COMMENTS ON CONSULTATION PAPER: INTERCONNECTED STANDARD SETTING FOR CORPORATE REPORTING**

The Malaysian Institute of Accountants (“MIA”) appreciates the opportunity to provide comments on your Consultation Paper on Interconnected Standard Setting for Corporate Reporting. The MIA applauds the efforts of the Accountancy Europe in strengthening corporate reporting and making it future relevant.

We acknowledge the importance of the disclosure of pertinent non-financial information (NFI) in addition to financial information in order to create a holistic value creation story of an entity over time. However, the availability of various voluntary disclosure frameworks for the reporting of NFI has resulted in reporting entities being left to decide on the desired reporting guidelines/framework to adopt. This often leads to a lack of comparability in NFI that are reported and even reporting fatigue amongst preparers aiming to comply with different reporting frameworks. In addition, the issue of comparability is exacerbated by the lack of established metrics in respect of the various attributes of NFI and even within each sector/industry.

Initiatives such as the Corporate Reporting Dialogue, which was convened by the International Integrated Reporting Council (IIRC), aims to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks and requirements. We, therefore, support the proposal for interconnected standard setting for corporate reporting to coordinate, rationalise and consolidate the many non-financial reporting initiatives that are currently in place and the need to create a core set of global metrics for NFI with related connectivity to financial information.

A key weakness of the use of a voluntary disclosure framework as opposed to a set of internationally recognised standards is the level of take-up and diligence that are placed on the reporting of NFI. Consequently, the quality of disclosures may vary significantly between entities and it would then be left to the market, investors and readers of such information to establish their own benchmarks as to what constitutes good reporting on NFI.



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We agree that Approach 4 encapsulates the best approach for setting the standards for NFI with the following consideration and recommendations.

### **Conceptual Framework for Connected Reporting and Standards for NFI**

The Consultation Paper provides a compelling vision for a global corporate reporting structure. We believe the Conceptual Framework for Connected Reporting (and the Corporate Reporting Foundation) will play an important role in ensuring that the International Accounting Standards Board (IASB) and the proposed International Non-financial reporting Standards Board (INSB) do not operate in silos and are truly connected.

We recognise the International Accounting Standards Board (IASB) as an established international standard-setter for financial reporting. We also take cognisance that the International Financial Reporting Standards (IFRS) issued by the IASB are not used in some jurisdictions, most notably the United States of America (USA). Despite best efforts, it has been difficult to achieve full harmonisation of IFRS with US GAAP.

The new approach would serve well to aspire for international alignment in NFI reporting from the onset, including getting jurisdictions that do not use IFRS on board notwithstanding the suggested structure. This would drive consistency and acceptability of disclosures of NFI across most jurisdictions. Whilst the USA may remain an outlier, there is already acceptance for Foreign Private Issues (FPIs) to report using the IFRS in the USA. Hence, the same could apply for NFI should there be acceptance by larger jurisdictions of international standards for NFI.

Considering the scope of NFI and the necessary and varied expertise involved to develop reporting standards, a phased approach needs to be done to prioritise the development of the standards for NFI based on urgency. The development of standards for NFI also needs to be robust and responsive to new business environment and corporate activities which may emerge that require timely review and revision of the standards.

### **Collaboration, Leveraging and Building on Work Done by Bodies with Global Reach**

The IIRC has established an international framework that, we believe, would be a very valuable and helpful starting point for the development of a Conceptual Framework for Connected Reporting for an organisation to communicate how they create value. The IIRC's Integrated Reporting (IR) Framework, which has seen take-up to varying degrees of success around the world, is familiar to and supported by leaders of some of the largest global businesses and is strongly backed by the International Federation of Accountants (IFAC). Therefore, it will be worth leveraging on the IIRC and its impressive connections established in the span of the last 10 years to expedite the buy-ins to the new approach and encourage wider adoption.

In developing the Conceptual Framework for Connected Reporting, the Corporate Reporting Foundation should leverage on the substantial work already done by the IIRC and build on the foundations already established rather than starting afresh with a new set of framework and guidelines. This would also create momentum for transition to the new Conceptual Framework for entities that are already familiar with the IR framework.



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Both the IASB and the IIRC could be approached to convene joint projects on areas where the NFI and financial information need to be linked or connected and inform the Corporate Reporting Foundation. The involvement of Financial Accounting Standards Board (FASB) and the Sustainability Accounting Standards Board (SASB) in such joint projects could also be explored to achieve alignment in corporate reporting objectives. Joint projects engender greater commitment and engagement by participating organisations.

### **Assurance on reported information**

Another key consideration is that in the absence of an established global reporting framework with relevant published standards, the ability to provide assurance on the reported information is limited, giving rise to questions of credibility, reliability and balance of information presented. Given the increasing importance of NFI to investors and other stakeholders, there is demand and impetus for assurance on NFI in the same way that assurance is currently being rendered on financial information. Having a set of established standards would better facilitate and enable assurance to be provided on the disclosures.

The International Auditing and Assurance Standards Board (IAASB) is currently going through a global public consultation on assurance for Extended External Reporting (EER). The IAASB has investigated some fundamental principles of corporate reporting in its project and while the focus is necessarily on assurance, there may be relevant and helpful information and insights that the INSB can draw from the IAASB's work. Hence, the involvement of the International Auditing and Assurance Standards Board (IAASB) is critical in Approach 4 to ensure assurance over NFI is addressed in the development of standards for reporting NFI.

We trust that our comments and recommendations are valuable and useful to Accountancy Europe for your onward deliberation. The MIA looks forward to further strengthening such important communication between both our organisations.

Yours sincerely,

**MALAYSIAN INSTITUTE OF ACCOUNTANTS**

**DR NURMAZILAH DATO' MAHZAN**

Chief Executive Officer