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Empirical study regarding the integrated reporting practices in Europe

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Abstract

Integrated reporting is a practice which seeks to communicate an organization's value through a holistic picture integrating both financial and non-financial information. This process is in its incipient phase, with many companies unsure of how prepare a truly integrated report. With the aim of providing a better understanding on integrated reporting and its benefits, a common framework, was developed by The International Integrated Reporting Committee (IIRC).

The main objective of this paper is to assess the compliance level of the integrated reports published for 2015 by the European companies which have adopted the initiative, with the IIRC Framework suggestions regarding its Guiding Principles. This research was carried out by using a content analysis and scoring based methodology.

The results reveal that the companies are in different stages regarding the conformity with the IIRC requirements. Moreover, some companies analyzed in this study are in the vanguard of the initiative whereas others produce "combined" rather than "integrated" reports. This research contributes to relevant literature by analyzing the post IIRC Framework publication period, as it studies integrated or annual reports published for the 2015 fiscal year.

Keywords*: Integrated reporting, IIRC Framework, Guiding Principles, Content analysis, Scoring.*

JEL Classification*: M10, M40, O52, F60*

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Introduction

In recent years, due to the increasing complexity of international business environment, new reporting stipulations were necessary and were added by laws, regulations, standards, codes, guidelines or stock exchange requirements (IIRC, 2011). This has led to an increased amount of information presented by companies, leading to long and complex financial reports, with technical details that require a high level of expertise to be understood (Deloitte, 2012).

Although awareness regarding the responsibility for reporting to stakeholders is growing, companies still require confirmations related to the usefulness of sustainable reporting practices (Caraiani et al., 2015). Companies would prefer to include in the reports only positive aspects which highlight the business related strengths, while disclosure of environmental and social indicators can lead to competitive disadvantages (Dima, Popa and Farcane, 2015).

Also, companies have the tendency to include more management related issues than performance insights and the presented information can be easily manipulated and it usually has a marginal relevance to the business. The listed items aim to positively influence the economic situation or to demonstrate the best practices regarding sector regulations application, providing useful information only for the company's management (Bonila-Priego et al., 2014).

In order to meet the stakeholders' information needs, companies have issued increasingly more reports of non-financial nature, including the social, environmental and economic impacts, not only as a form of accountability, but also as a way to design the company's strategy. (Caraiani et al., 2015; Lungu, Caraiani and Dascălu, 2011).

Outstanding companies have begun to integrate all their reports into one paper, producing integrated reports in order to achieve sustainable development. This allows to provide the necessary information to the stakeholders by allocating a minimum of resources. This report provides information on corporate governance, strategy and performance in an organized manner, and it highlights the context in which the company operates (García-Sánchez, Rodríguez-Arizan and Frías-Aceituno, 2013; IIRC, 2013a; Eccles and Krzus, 2010).

A new concept that incorporates the principles of sustainability reporting was developed as Integrated Reporting (IR) (Caraiani et al., 2015). This notion is seen as a way of presenting an extensive business model and the value creation process within a company, the adoption of a long-term perspective being supported (Adams, 2014 cited by Dima, Popa and Farcane, 2015).

Integrated reporting involves connecting financial and non-financial information in a single report, in order to highlight the existing interdependencies, therefore significantly increasing the quality of reporting. Integrated reporting is the most efficient way to identify issues which affect corporate activity and is the modality to achieve an improved resource allocation. All of these support integrated thinking, and the management actions are aimed at creating value (Hurghiş, 2017).

The aim of this paper is to analyze the integrated or annual reports released for the 2015 fiscal year, as a modality to offer a perspective on the practices used by companies after the introduction of the IIRC Framework in December 2013. The need to analyze this period comes from the time frames covered by the previous researches, explicitly 2010 to 2013, as it is situated before the publication of the IIRC Framework (2013b). Another motivation which gives a greater relevance to this study, is the framework used to assess the reports, as Eccles, Krzus and Ribot (2015) and Lizcano, Muñoz and López (2011) base their researches on the Consultation Draft of the IIRC Framework (2013a). This study uses the IIRC Framework (2013b) in order to score the use of the Guiding Principles in the reports published by European companies.

The paper is structured into six sections. The next section contains a relevant literature review which offers insights on previous researches and IIRC Framework's (2013b). Section 3 covers the Guiding Principles depicted in the IIRC Framework (2013b), section 4 describes the research methodology and the studied sample, whereas section 5 is dedicated to discuss the obtained results. Finally, the conclusions and the limitations of this study are presented in the sixth section.

1. Literature review

Previous research on Integrated Reporting, such as Frías-Aceituno, Rodríguez-Ariza and García-Sánchez (2013), García-Sánchez, Rodríguez-Arizan and Frías-

Aceituno (2013) and Hurghiş (2017) have focused on the analysis of the motivations and influencing factors regarding the adoption of the IIRC initiative. Other studies Eccles, Krzus and Ribot (2015), Lizcano, Muñoz and López (2011) and Ruiz-Lozano and Tirado-Valencia (2016) have presented the compliance extent of the integrated reports published by the companies which have responded to the IIRC proposal.

The study prepared by Lizcano, Muñoz and López (2011) analyses the differences between the IIRC Framework's (2013b) requirements and the integrated reports released for the 2010 fiscal year by Spanish companies, found in the Global Reporting Initiative database. The results show that the companies comply with the suggestions to an acceptable extent, but there are issues which need improvement.

The research presented by Eccles, Krzus and Ribot (2015), studies 100 non-South African companies and 24 South African organizations from all economic sectors, which have prepared and presented self-declared integrated reports for the 2012 fiscal period. The results of this study highlights a variation in the compliance level, but on the average the analyzed companies published fairly well prepared integrated reports.

The most recent study, prepared by Ruiz-Lozano and Tirado-Valencia (2016) presents a scored based analysis on the level of attention given to the Guiding Principles by the industrial companies. The results state that in the integrated reports for the 2013 fiscal year, not all the guiding principles are equally followed by the companies.

The main objective of the IIRC Framework (2013b) is to provide a common reporting base, by defining the fundamental concepts regarding integrated reporting and by establishing Guiding Principles and Content Elements that should be found in an integrated report (IIRC, 2013b). The fundamental concepts depicted are the value creation process over short, medium and long term and the Six Capitals – financial, manufactured, human, natural, intellectual, social-relational.

Other objectives of the IIRC Framework (2013b) are:

– Providing adequate information in order to respond to investors' information needs by offering a detailed presentation regarding the organization's decision-making process as well as its consequences.
– Highlighting the interconnections between environmental, social, governance and financial factors in decisions that influence long-term performance and conditions. An integrated report presents the connection between sustainable development and economic value.
– Providing the necessary context in order to facilitate the reporting process and the inclusion of environmental and social factors in the decision-making process.
– Highlighting long-term performance indicators, not only short-term results.
– Increasing the disclosure of information by presenting data used by management in everyday decisions (IIRC, 2011 cited by Caraiani et al., 2015).

The definition provided by the IIRC Framework (2013b) became the main support for the integration of financial and non-financial items. An integrated report is a concise communication on how an organization's strategy, governance, performance and outlook in the context of its external environment leads to short, medium and long-term value creation (IIRC, 2013b). Moreover, the definition highlights the elements of "architecture" of an integrated reporting system, intended to facilitate the understanding of the activities that occur within a company (Oprişor, Tiron-Tudor and Nistor, 2016).

Integrating financial and non-financial reporting involves providing information for each user and it does not only refer to a document containing combined information. Integrated reporting involves using the Internet in order to give the user the opportunity to customize the integrated report, by using analysis instruments which would enable financial or non-financial analyses. Publishing an integrated report does not automatically lead to the conclusion that organizations will no longer publish more detailed reports with specific information for certain categories of users (Eccles and Krzus, 2010).

The integrated report contains information for all the stakeholders: employees, customers, suppliers, local communities, legislative and tax authorities without ignoring the main goal of presenting the organization's ability to create value over time. The IIRC Framework (2013b) describes the integrated reporting concept through a principle-based approach. It is aimed to create a balance between flexibility and regulation in order to assure the comparability between information provided by companies. The Framework does not propose a set of KPIs, measurement methods or specific information, but includes requirements in order for the report to be consistent in conformity with the IIRC Framework (2013b).

2. The guiding principles

The IR Framework provides seven guiding principles which are to be applied in the process of preparing and presenting an integrated report. This set of principles allows to obtain a proper balance between materiality and relevance, flexibility and prescription, conciseness and demand for information (Ruiz-Lozano and Tirado-Valencia, 2016). The application of the guiding principles requires keen professional judgment in order to diminish any apparent tension between them, as it can be possible that confusing situations or information will arise (IIRC, 2013b). The IIRC Framework (2013b) presents the following principles: Strategic focus and future orientation, Connectivity of information, Stakeholder relationships, Materiality, Conciseness, Reliability and completeness, Consistency and comparability.

A. Strategic focus and future orientation – it is necessary that an integrated report should ensure better understanding regarding the strategy of a company and how it contributes to the creation of value in the short, medium and long term, both in terms of capital use and the effects on capital types (Deloitte, 2012). In order to achieve that, a presentation of the risks and the opportunities must be included in the report, as well as showing how the company has learned from the past and present in order to set strategic objectives for the future.

B. Connectivity of information - the integrated report should display the interdependence between the factors that influence the capability to create value. The benefit of an integrated report resides in its logical structure and data connectivity and in this context, communication technology can be used to search, connect, customize or analyze information. The most important factors that should be presented with an interrelatedness approach are:

- The content elements have to be connected in order to reflect the interactions between the company's activities as a whole.
- The past, present and future. The past-to-present activities are a perfect source of information that can be used to define the objectives for the future as well as to measure the efficiency and quality of the current management.
- The capitals. The interdependencies between the six capitals and the variation in their affordability and availability affects the ability to create value.
- Financial information and other information. For example the dependency between revenue or profit growth and long term customer relationships or customer satisfaction.
- Quantitative and qualitative information, which are used in order to define the organization's ability to create value. For example, the KPIs included in an explanation can be a source of information with a higher level of efficiency than the sole presentation of the KPIs' values.

C. Stakeholder relationships - an integrated report should show the quality of the relationship with stakeholders, since value is not created only using the organization's efforts, but through relationships with others (IIRC, 2013b). The stakeholders provide useful opinions on matters that the companies have the tendency to ignore, such as environmental and social issues. A solid relationship with the stakeholders is built by disclosing how their needs and interests are understood, and responded to through decisions.

The aim of stakeholders' consultation is to obtain essential data which will be used to implement the organization's strategy as well as to make the most appropriate resource allocation decisions (Soyka, 2013).

D. Materiality – the integrated report should contain relevant information that has the capacity to affect the value creation process (Deloitte, 2012). The IIRC Framework (2013b) presents a procedure for materiality determination, and it involves: identifying substantial matters based on their ability to influence value creation, evaluating the relevance and prioritizing the matters and determining how much information will be disclosed about the material matters. This procedure will be applied to both positive and negative elements, including risks and opportunities, favorable and unfavorable performance. It will also be applied to financial and non-financial information.

E. Conciseness – the company should avoid the disclosure of redundant and less relevant information, as this will affect the decisions of those reading the report. The company should find a balance between Conciseness and the other Guiding Principles, mainly Constancy and comparability. An integrated report is concise if (IIRC, 2013b):

- Uses the materiality determination process.
- Follows a logical structure, uses internal links in order to minimize repetition of information
- Uses external links to reference detailed information that does not change frequently.
- Clearly defines the concepts, using few words and common language, avoiding technical terms that require a high level of expertise to be understood.
- Avoids generic disclosure, which are not a particularity of the company.

F. Reliability and completeness – an integrated report will include all material elements, positive or negative, in a balanced way, and without any kind of errors. Reliability, or faithful representation, is increased by mechanisms such as internal control, internal audit and independent, external assurance. An integrated report is considered to be complete if it includes the information needed to make a correct decision. The company has to set the extent of the information presented and its level of preciseness, since this could implicate potential concerns in regard of future objectives, cost/benefit and competitive advantage.

G. Consistency and comparability - An integrated report will provide information comparable over time and externally. For example, the company should report the same KPIs every year, unless a substantial change has been made, and the KPIs could be similar to those disclosed by organizations with similar activities.

3. Research methodology

3.1. Study population and samples used

The sample of this paper is composed of European companies which have adopted the practices recommended by the IIRC Framework (2013b). By querying the database IR Database Example, a number of 134 companies was obtained. From this data set, companies with reports published for 2015 fiscal year were selected, resulting in 31 companies. The final number of analyzed companies was reduced to 30 (as presented in Appendix 1) by removing Axa's Sustainability/CSR Report for not being relevant to the study, which will assess only integrated or annual reports.

Table no. 1 shows the sample breakdown by the economic sectors. The most represented sectors are the Financial Services, with 8 operating companies, cumulating 26.67% of the dataset as well as Basic Materials and Consumer Services, both industries covering a percentage of 13.33% of the sample.

Table no. 1. Sample breakdown by Economic Sector

Economic Sector	Number of companies	Percentage
Financial services	8	26,67%
Basic materials	4	13,33%
Consumer services	4	13,33%
Industrials	4	13,33%
Consumer goods	2	6,67%
Healthcare	2	6,67%
Real estate	2	6,67%
Technology	2	6,67%
Utilities	2	6,67%

Source: IR Examples Database, available at: http://examples.integratedreporting.org, author's projection

3.2. Research method

In order to carry out the research, a combined use of two methods has been applied to the sample. Content analysis and scoring have been used to determine the compliance level of company reports with the requirements of the IIRC Framework's (2013b) regarding its Guiding Principles.

The starting point in this research was the report quality assessment method introduced by Eccles, Krzus and Ribot (2015), which involves comparing the IIRC Framework's (2013b) requirements with companies' integrated reports in order to analyze the extent of compliance. This method was improved by adding the system used by Lizcano, Muñoz and López (2011). That methodology suggests a list containing factors derived from the IIRC Framework's (2013b) Content Elements, which were identified in the reports. The reasoning for including this factor list was the increased degree of objectivity induced by breaking down the Content Elements as well as to facilitate the quality assessment process. Ruiz-Lozano and Tirado-Valencia (2016) also use the same method to evaluate whether the Guiding Principles are followed by the industrial companies.

Therefore, an IIRC Framework's (2013b) requirements analysis was carried out, in order to compose a rating scale, consisting of 6 Guiding Principles:

A. Strategic focus and future orientation

B. Connectivity of information

C. Stakeholder relationships

D. Materiality

E. Conciseness

F. Reliability and completeness

The Guiding Principle "Consistency and Comparability" was excluded from the analysis because an objective assessment of this principle is difficult to carry out since the study is only conducted in 2015 and this prevents the evaluation regarding the comparability of a company's report from one period to the next. This principle can also be analyzed in order to measure the comparability between the reports published by the companies which operate in similar economic sectors, but the score obtained would not be complete, therefore the assessment of this principle would have little significance for the actual study.

Each item was scored stating from 0 (the lowest score, given when a report does not provide information related to an element) to 3 (the highest score, given in the case of an excellent description of a certain item). The maximum score a report can reach is 18. Additionally, with the purpose of higher objectivity, a list of items related to the Guiding Principles was created and intermediary scores were used. The sum of intermediary scored was rounded up to zero decimals, to obtain the score per each Guiding Principle. Finally, total scores were calculated for each company and average scores were calculated for each principle.

4. Results and discussion

The average score obtained for the compliance with the IIRC Framework's (2013b) requirements regarding its Guiding Principles is 2.19. Four companies have reached the highest scores for all the principles: Aegon, Munich Airport, ING, and Royal DSM. The data presented in **Table no. 2** shows that most of the companies (50%) have obtained a total score ranging from 11 to 14, while at the extremes can be found 5 companies representing 17% of the studied sample.

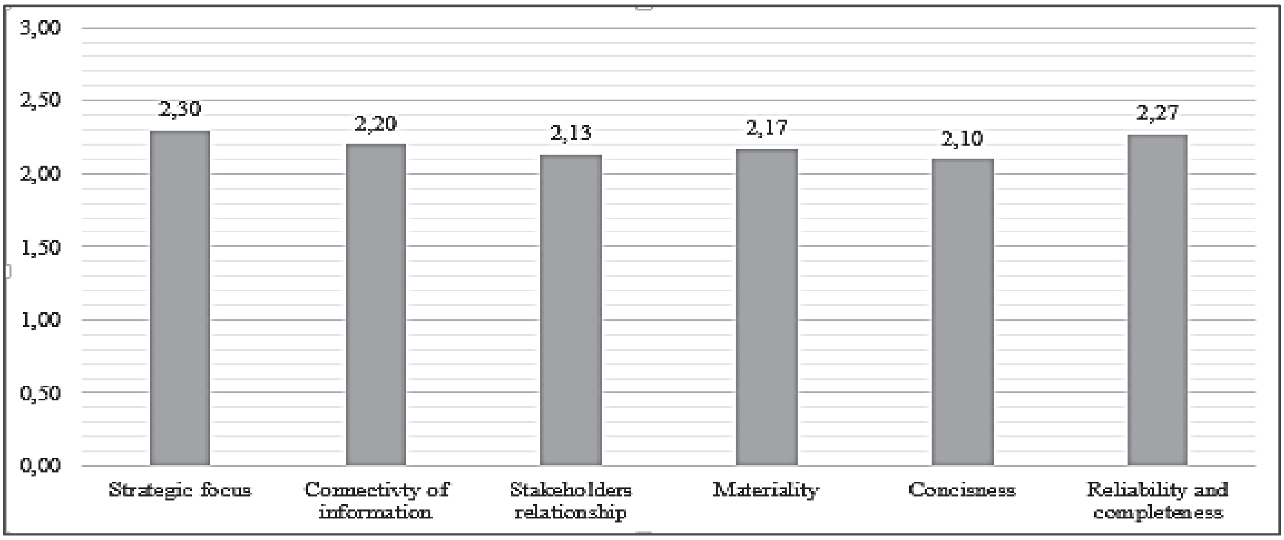
Table no. 1. Total scores for the Guiding Principles

Total score per company	Number of companies	Percentage
17-18	5	16,67%
15-16	5	16,67%
13-14	7	23,33%
11-12	8	26,67%
8-10	5	16,67%

Source: author's projection

The average scores for the Guiding Principles (**Figure no. 1**), have obtained relatively high values, exceeding 2, with a small difference (0.2) between the maximum and the minimum score. This situation can lead to a preliminary conclusion that the Guiding Principles are respected by Companies to a relatively equal extent.

Figure no. 1. Average scores for the Guiding Principles



Source: author's projection.

4.1. Strategic focus and future orientation

The results obtained for this principle show an average score of 2.30, the highest score in the analysis. Most companies (such as FMO, BASF, Novo Nordisk, Royal DSM, ArcelorMittal) have presented potential risks, opportunities and the strategy to be implemented in their integrated or annual reports. Table no. 3 presents the scores obtained by the companies' reports, reflecting the extent of compliance with the requirements of the IIRC Conceptual Framework (2013b) regarding the Strategic focus and future orientation.

Table no. 2. Scores obtained by companies for Strategic focus and future orientation

Score 3	Score 2	Score 1
Achmea	ABN AMRO	British American Tobacco
Aegon	Antofagasta	Dellas
ArcelorMittal	Coca-Cola HBC	Marks & Spencer
BASF	Ferrovial	SGS
enBW	Gecina	
FMO	Go-Ahead	
Generali	National Grid	
ING	Philips	
JSC NIAEP	SAP	
Munich Airport	Swedish Export Credit Corporation	
NordGold	The Crown Estate	
Novo Nordisk	TVEL	
Royal DSM	UBS	

Source: author's projection

However, the studied companies did not fully comply with the IIRC Framework's (2013b) requirements. Generally speaking, the companies did not include the correlation between strategy and resource allocation in order to achieve the objectives, or its effects on the capitals, as well as the value creating process on short, medium and long time.

4.2. Connectivity of information

Analyzing the average score of 2.20 obtained by the Connectivity of Information, companies comply with the requirements of this principle to an acceptable level, as shown in Table no. 4. A significant part of the studied organizations received high scores for this principle, for example due to the integration of the capitals with the business model (especially ING, Ferrovial, enBW, Munich Airport) or the inclusion of qualitative information which explains quantitative indicators (such as Royal DSM, ArcelorMittal, Coca-Cola HBC). However, presenting the strategy without resource allocation plans and the uncorrelated presentation of financial and non-financial performance reduces the effect of connectivity and integrated thinking promoted by the IIRC.

Table no. 3. Scores obtained by companies for Connectivity of information

Score 3	Score 2	Score 1
Achmea	Antofagasta	ABN AMRO
Aegon	British American Tobacco	BASF
ArcelorMittal	Ferrovial	Dellas
Coca-Cola HBC	FMO	Go-Ahead
enBW	JSC NIAEP	SGS
Gecina	National Grid	Swedish Export Credit Corporation
Generali	NordGold	
ING	Novo Nordisk	
Marks & Spencer	Philips	
Munich Airport	The Crown Estate	
Royal DSM	TVEL	
SAP	UBS	

Source: author's projection

4.3. Stakeholder relationships

This principle has achieved a lower average score compared to the previous principles, of 2.13. The information in Table no. 5 demonstrates that all companies, except British American Tobacco which obtained the score 0, identified the main stakeholders and provided more or less information on this matter.

Table no. 4. Scores obtained by companies for Shareholders relationship

Score 3	Score 2	Score 1	Score 0
Aegon	ABN AMRO	Antofagasta	British American Tobacco
Coca-Cola HBC	Achmea	BASF	
ING	ArcelorMittal	Ferrovial	
Marks & Spencer	Dellas	Generali	
Munich Airport	enBW	Go-Ahead	
National Grid	FMO	SGS	
NordGold	Gecina	TVEL	
Novo Nordisk	JSC NIAEP		
Philips	SAP		
Royal DSM			
Swedish Export Credit Corporation			
The Crown Estate			
UBS			

Source: author's projection

A smaller part of the studied sample - such as Philips, Novo Nordisk, Royal DSM, Aegon - explained the relationships between organization and stakeholders as well as the extent to which their needs and views are taken into account. This situation is due to the fact that the main category of users of the integrated reports is represented by the capital providers. The IIRC Framework (2013b) state that capital providers are indeed the primary users of information, but it does not offer support to conclude that their interests have a greater importance than those of other stakeholders (Soyka, 2013).

4.4. Materiality

The results in this section show that a significant proportion of companies achieved relatively high scores for this principle. For the Materiality analysis, three scoring criteria were considered: identifying material aspects, presenting a materiality matrix and the materiality determination process. Table no. 6 presents the companies' scores, which reflect the conformity level to the requirements of the IIRC Framework (2013b) regarding the Materiality Guiding Principle. None of the studied organizations have obtained the score 0 for this principle, since all of the integrated or annual reports have presented the essential aspects regarding the company's activity. However, only 18 companies presented a materiality matrix and even less described the materiality determination process.

Several companies, such as Coca-Cola HBC, ING, Royal DSM, ArcellorMitall, have presented a detailed explanation of the materiality determination process, and the result is a well-documented materiality matrix. The organizations that have a greater level of compliance with the IIRC Framework's (2013b) requirements in terms of Materiality have included the stakeholders' views in designing the materiality matrix, and, in some cases, the process of materiality determination has been based on these views.

Table no. 5. Scores obtained by companies for Materiality

Score 3	Score 2	Score 1
Aegon	NordGold	Novo Nordisk
Coca-Cola HBC	Achmea	The Crown Estate
ING	enBW	Generali
Royal DSM	Marks & Spencer	SAP
Munich Airport	Philips	UBS
ArcelorMittal	BASF	National Grid
Gecina	SGS	Antofagasta
FMO		British American Tobacco
JSC NIAEP		Go-Ahead
Swedish Export Credit Corporation		
Ferrovial		
Dellas		
ABN AMRO		
TVEL		

Source: author's projection

The results are in concordance with those obtained by Eccles, Krzus and Ribot (2015) who argue that the Materiality has a great importance to the company, and for this reason three coordinates have been analyzed in the mentioned study: identifying essential aspects and material risks, explaining how to mitigate those risks and presenting the materiality matrix. The authors conclude the research on materiality by stating that organizations identify the essential aspects and risks much better than they are explained.

4.5. Conciseness

This guiding principle has obtained the lowest score, 2.10 and this can be concluded by consulting the bellow table. Half of the studied companies achieved the score 2, score which indicates a general need to improve the level of conciseness. Some of the companies (such as ArcelorMittal, JSC NIAEP or ING) have made efforts to meet the requirements of the IIRC Framework (2013b), using internal and external references and links in order to facilitate the navigation and to avoid the usage of repetitive information. The information in these reports is presented by following a coherent logical structure.

The low scored reports (especially ABN AMBRO, Ferrovial and Go-Ahead) provide repetitive information, such as the presentation of key performance indicators in the beginning of the report, in order to create a good image on the company's results, then the same indicators are explained in a later specific section.

Table no. 6. Scores obtained by companies for Conciseness

Score 3	Score 2	Score 1
Aegon	Achmea	ABN AMRO
ArcelorMittal	BASF	Antofagasta
Coca-Cola HBC	British American Tobacco	Ferrovial
ING	Dellas	Go-Ahead
JSC NIAEP	enBW	SGS
Munich Airport	FMO	TVEL
NordGold	Gecina	
Novo Nordisk	Generali	
Royal DSM	Marks & Spencer	
	National Grid	
	Philips	
	SAP	
	Swedish Export Credit Corporation	
	The Crown Estate	
	UBS	

Source: author's projection

In a previous study, Eccles, et al. (2012) concluded that the industrial climate change reports use repetitive language. Some findings of this research justify this conclusion. The reports have a high narrative content, but sometimes companies do not fully comply with the requirements of the IIRC Framework (2013b) in terms of Conciseness.

4.6. Reliability and completeness

The principle has obtained a fairly good average rating, of 2.27. Table no. 8 lists the companies' scores, reflecting the compliance extent to the IIRC Framework (2013b) regarding Reliability and Completeness. Altogether, the companies disclosed enough information to create a clear image on the past activities. However, few organizations have discussed issues related the practices used in order to verify the presented data, only two modalities to do so have been identified in the studied reports.

One of the methods is the use of internal control and internal audit procedures in order to provide assurance on the accuracy of the information presented in the report. Another modality to give an acceptable level of assurance to stakeholders was to include an external opinions regarding sustainability, environmental and social responsibility issues (two companies to do so are Royal DSM and Philips). It should be noted that most companies focused on providing assurance on financial information by presenting the audit report.

Table no. 7. Scores obtained by companies Reliability and completeness

Score 3	Score 2	Score 1
Achmea	ABN AMRO	National Grid
Aegon	Antofagasta	TVEL
BASF	ArcelorMittal	
Coca-Cola HBC	British American Tobacco	
Generali	Dellas	
ING	enBW	
Munich Airport	Ferrovial	
NordGold	FMO	
Novo Nordisk	Gecina	
Royal DSM	Go-Ahead	
	JSC NIAEP	
	Marks & Spencer	
	Philips	
	SAP	
	SGS	
	Swedish Export Credit Corporation	
	The Crown Estate	
	UBS	

Source: author's projection

Conclusions and study limitations

The objective of this research has been to assess the level of compliance to the IIRC Framework's (2013b) Guiding Principles. The sample used for this study is composed of 30 integrated or annual reports belonging to companies adhering to the IIRC initiative and the reports were selected if they appeared in the IR Example Database. This study was carried out by using a content analysis and scoring based methodology to monitor the factors mentioned above and the general conclusion is that the companies are situated at different levels of compliance with the IIRC Framework (2013b).

The high ranking companies have obtained good scores for all the analyzed elements, their reports offering the needed information using a logical and easy to follow structure, a great description of value creation process and business model. Those reports are truly integrated, especially when compared with the reports that have obtained lower scores. Although an effort has been made to follow the Guiding Principles, much remains to be done, and the compliance is still in an incipient phase for the bottom ranking companies.

These results are also found by Ruiz-Lozano and Tirado-Valencia (2016). The authors show, in a study that analyses the industrial companies' reports, that not all the Guiding Principles are equally followed by the companies. The strategic approach to information and the relationship between capitals in the process of value creation are proven to have a high level of monitoring. Still, there are other aspects which would require a greater emphasis such as the need for greater engagement of stakeholders in the process of preparing reports or the mechanisms to assure the validity of information. This research has found this description to be in compliance with the analysis results, except that regarding reliability and completeness, there are companies that have made progresses in that area, including in their report explanations on how this matter is handled.

The results and conclusions of the study are limited by the small number of companies that have adapted their reports to suit the IICR requirements. The IR Example Database provided only 30 integrated or annual reports for 2015, although the IIRC Framework was finalized and published in December 2013. Furthermore, the study is limited to a single continent: Europe. To broaden the boundaries of this research, incorporating a greater number of reports for more fiscal periods can enable a comparative analysis by years that could show the evolution of Integrated Reporting practices. The study may be limited by the methodology, because the system for allocating ratings to each of the defined factors could introduce a dose of subjectivity in the results. However, this does not negate the conclusions of this study.

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Appendix 1. List of studied companies

Company	Economic sector	Country	Company	Economic sector	Country
ABN AMRO	Financial services	Netherlands	ING	Financial services	Netherlands
Achmea	Financial services	Netherlands	JSC NIAEP	Industrials	Russia
Aegon	Financial services	Netherlands	Marks & Spencer	Consumer goods	United Kingdom
Antofagasta	Basic materials	Chile (listed on LSE)	Munich Airport	Consumer services	Germany
ArcelorMittal	Industrials	Luxembourg	National Grid	Utilities	United Kingdom
BASF	Basic materials	Germany	NordGold	Basic materials	Russia
British American Tobacco	Consumer services	United Kingdom	Novo Nordisk	Healthcare	Denmark
Coca-Cola hbc	Consumer goods	Switzerland	Philips	Technology	Netherlands
Dellas	Industrials	Italy	Royal DSM	Healthcare	Netherlands
enBW	Utilities	Germany	SAP	Technology	Germany
Ferrovial	Professional services	Span	SGS	Consumer services	Switzerland
FMO	Financial services	Netherlands	Swedish Export Credit Corporation	Financial services	Sweden
Gecina	Real estate	France	The Crown Estate	Real estate	United Kingdom
Generali	Financial services	Italy	TVEL	Basic materials	Russia
Go-Ahead	Consumer services	United Kingdom	UBS	Financial services	Switzerland