# Sustainability, Non-Financial, Integrated, and Value Reporting (Extended External Reporting): A conceptual framework and an agenda for future research

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**Abstract**
**Purpose** – This paper develops a conceptual framework for extended external reporting (EER) influences (EERI), including Sustainability, Non-Financial, Integrated, and Value Reporting. Using the Environmental Legitimacy, Accountability, and Proactivity (ELAP) framework as the base, we modify its proposed concepts and linkages using relevant conceptual models, prior reviews, and findings of recent studies on EER. The paper presents contributions of the special issue on "non-financial and integrated reporting, governance and value creation" and avenues for future research.
**Design/methodology/approach** – Drawing on relevant conceptual models, prior reviews, and recent EER studies, we reframed the ELAP framework into a framework that theorises the factors that affects, or are affected by, EER.
**Findings** – The EERI framework poses relationships between and within proactivity, external verification, accountability, and legitimacy. It also consolidates possible determinants and consequences of EER. The papers published in this special issue contribute further insights on factors that influence reporting practices, processes and suggestions for capturing and communicating value creation information, and the value of integrated reports and assurance to capital providers.
**Originality/value** – Along with the insights provided by papers in this special issue, the conceptual framework can be used to theorise influences of EER and guide future research.
**Keywords:** Extended external reporting; Sustainability reporting; Non-financial reporting; Integrated reporting; Governance; Value Creation; Accountability; Legitimacy
**Paper type** Research paper

## 1. Introduction

Coinciding with growing sustainability concerns is increasing demand for organisations to engage in integrated thinking, be more transparent, and communicate how they create value for themselves and their stakeholders (Accounting for Sustainability, 2021, CDP et al., 2020, IFRS Foundation, 2020, Value Reporting Foundation, 2022). Extended external reporting (EER) is an umbrella term that refers to reporting beyond financial statements, encapsulating disclosures such as environmental reporting, sustainability reporting, and integrated reporting (External Reporting Board (XRB), 2022, International Auditing and Assurance Standards Board (IAASB), 2021). EER has gained considerable prominence in practice and academic research since the 1990s, leading to a substantial body of knowledge in this field and a number of literature reviews that summarises extant knowledge (for instance, see: Alrazi et al., 2015, Andrew and Baker, 2020, Hahn and Kühnen, 2013, Hsiao et al., 2022a, Marrone et al., 2020, Traxler et al., 2020, Velte et al., 2020). While a range of aspects related to EER have been investigated, there remain opportunities for in-depth studies on how governance policies and systems can support EER and value creation, and whether such corporate practices substantially influence the management and reporting of organisational value.

Against this backdrop, a call for papers concentrated on the theme of "non-financial and integrated reporting, governance and value creation" was made for this special issue in *Meditari Accountancy Research*. This special issue provides new insights and reflections on recent developments in EER. It brings together a range of empirical studies that contribute further knowledge on factors that influence reporting practices, processes and suggestions for capturing and communicating value creation information, and the value of integrated reports and assurance to capital providers. This special issue will foster future research in EER.

To better understand how studies included in this special issue contribute to the EER literature, we develop a framework of EER influences (EERI) by consolidating ideas proposed by relevant conceptual models and drawing on findings of prior reviews and recent studies on EER. Few reviews and conceptual models related to EER considered reporting practices from a systems perspective, as most focus and structure their analysis on determinants or consequences of corporate social responsibility (CSR) reporting, sustainability reporting, or integrated reporting (Andrew and Baker, 2020, Dienes et al., 2016, Hahn and Kühnen, 2013, Kannenberg and Schreck, 2019). We use the Environmental Legitimacy, Accountability, and Proactivity (ELAP) framework proposed by Alrazi et al. (2015) as the foundation of our conceptual framework. The ELAP framework shows how three conceptually distinct concepts, namely environmental proactivity, environmental accountability, and environmental legitimacy, can be integrated into a single framework to explain environmental performance and behaviour. As the ELAP framework concentrates on the environmental aspect of sustainability and its core focus is on environmental performance and behaviour rather than reporting practices, not all concepts and relationships relevant to EER are captured in the framework. Hence, we reframed the ELAP framework around EER by drawing on other relevant conceptual models, findings of prior reviews, and insights offered by recent studies, inclusive of papers in this special issue. Our EERI framework depicts relationships between and within proactivity, external verification, accountability, and legitimacy, and summarises possible determinants and consequences of EER.

The paper is structured as follows. Section 2 provides an overview of relevant conceptual models and details modifications made to the ELAP framework in developing the EERI framework. Section 3 introduces the EERI framework. Section 4 summarises the special issue papers and elaborates on their contributions. Section 5 concludes and presents an agenda for future research.

## 2. Development of the EERI framework

### *2.1 Overview of relevant conceptual models*

The ELAP framework proposed by Alrazi et al. (2015) hypothesises interrelationships between and within three concepts related to environmental performance and behaviour: environmental proactivity, environmental accountability, and environmental legitimacy. The framework also identifies some factors that affects, or are affected by, corporate environmental behaviour, grouped under the headings of company features (company size, internationalisation, position in the value chain, managerial attitude and motivations, strategic attitude, financial performance and position, organisational culture, and corporate governance), stakeholder pressure (regulators and media), and external factors (industrial sector and geographical location).

According to Alrazi et al. (2015), environmental proactivity comprises three components: (1) environmental management system, defined as formal systems that integrate procedures and processes for personnel training and monitoring and reporting of environmental performance information; (2) environmental accounting, considered to include all areas of accounting that may be affected by an organisation's response to environmental issues; and (3) stakeholder engagement, regarded as the process of seeking stakeholder views on their relationship with an organisation. The ELAP framework posits that an organisation's level of environmental proactivity influences their environmental accountability. Environmental accountability constitutes two components: (1) environmental performance, framed as the extent to which an organisation acts responsibly towards the natural environment; and (2) environmental reporting, defined as providing an account of performance to external stakeholders. It is argued that environmental accountability influences an organisation's environmental legitimacy. Environmental legitimacy is explained as a status or condition obtained when there is congruence between organisations' actions and stakeholders' expectations. Within environmental legitimacy is a single component labelled stakeholder satisfaction, considered as a general term associated with meeting stakeholder expectations.

In addition to depicting a linear flow from environmental proactivity to environmental accountability to environmental legitimacy, the ELAP framework indicates linkages among individual components. Alrazi et al. (2015) indicate possible relationships where: (1) environmental management systems and environmental accounting influence stakeholder engagement, (2) stakeholder engagement influences environmental management systems and environmental accounting, (3) environmental reporting affects environmental management systems and environmental accounting, (4) environmental performance and environmental reporting affect each other, (5) environmental proactivity, environmental accountability and environmental legitimacy influence financial performance and position, and (6) environmental accountability and environmental legitimacy influence regulators and the media.

As the ELAP framework has a relatively narrow focus on the environmental aspect of sustainability and concentrates on environmental performance and behaviour, there are concepts and relationships relevant to EER that are not reflected in the framework. One of which is the idea of integrated thinking and integrated reporting. Atkins and Maroun (2018) developed an extinction accounting and accountability framework that incorporates the concept of integrated thinking. Their framework also draws from Alrazi et al. (2015) and includes a component for proactivity, which similarly requires appropriate management systems, supporting accounting infrastructure, and active stakeholder engagement. Atkins and Maroun (2018) considered integrated thinking separate from proactivity and includes the six capitals proposed by the International Integrated Reporting Framework (IIRF) within this concept. It is proposed that integrated thinking and the six capitals framework could be used to assess the implications of extinction, and legitimacy is an outcome of proactivity and integrated thinking. Other conceptual models related to integrated reporting have also suggested that integrated thinking and integrated reporting could influence organisational legitimacy (de Villiers et al., 2017, Kannenberg and Schreck, 2019; de Villiers et al., 2020).

In relation to sustainability reporting, Hsiao et al. (2022a) proposed a framework for sustainability accounting influences that incorporates sustainability reporting under external engagement, communication and audits. Similar to conceptual models for integrated reporting, it is postulated that sustainability accounting practices could influence accountability and legitimacy. However, there remain questions regarding the real effects of such corporate practices on accountability and legitimacy, as extant literature tends to criticise corporate disclosures to lack accountability and transparency. Other important aspects to consider are the definition of management control systems and the role of sustainability assurance. Bui and de Villiers (2017a; 2017b) and Traxler et al. (2020) conceptualised the interplay between sustainability management control systems and sustainability reporting, considering management control systems to incorporate both formal and informal control systems. Further, these studies support a positive relationship between sustainability management control systems and sustainability performance and sustainability reporting. While the conceptual model developed by Maroun (2020) concentrates on sustainability assurance, it does include reporting as outcomes, suggesting CSR assurance can promote more complete and accurate reporting and lead to high-quality disclosures.

### *2.2 Main concepts and components of the EERI framework*

González-Benito and González-Benito (2006), as referenced by Alrazi et al. (2015) for the term environmental proactivity, associated environmental proactivity with any voluntary implementation of practices and initiatives aimed at improving environmental performance. As ‘proactivity’ relates broadly to voluntary practices and initiatives focused on improving performance, it is appropriate to include a generic component titled ‘practices’ to capture any practices and initiatives beyond ‘management system’, ‘accounting’ and ‘stakeholder engagement’. Recent studies have provided evidence of non-financial reporting being influenced by, for instance, investments in environmental research and development (Hsueh, 2019), environmental innovation (Radu and Francoeur, 2017), and participation in initiatives such as the United Nations Global Compact and emission trading schemes (Blanc et al., 2019, Liesen et al., 2015). Rather than considering integrated thinking as a separate component of proactivity (Atkins and Maroun, 2018), we consider integrated thinking to fall within proactivity as it is a voluntary practice that could lead to integrated decision-making and actions that support long-term value creation. Additionally, we follow Bui and de Villiers (2017a; 2017b) and Traxler et al. (2020) and include informal systems, such as sustainability strategies, plans and policies, belief systems, and top management support, within ‘management systems’.

Further, it is deemed appropriate to merge 'management system' with 'accounting' and relabel them as 'management and accounting systems' since the distinction between these two components is not clear and accounting is a part of organisations' formal systems, such as environmental management accounting being a control system (Bui and de Villiers, 2017a).

We maintain the components of 'accountability' and add another main concept 'external verification'. The ELAP framework does not explicitly consider external verification of systems and disclosure as a standalone element, but rather implies that auditing and assurance practices fall under 'accounting' within 'proactivity'. Consistent with Maroun (2020), Hsiao et al. (2022a) and de Villiers et al. (2017), we consider external verification an important concept that could influence, or is influenced by, EER practices. We add it as a separate concept as studies have investigated the relationships between non-financial assurance and non-financial reporting (Dalla Via and Perego, 2020, Grassmann et al., 2022), and non-financial assurance may not always be a voluntary initiative given proposals requiring assurance of non-financial information in the near future (Economic Development, Science and Innovation Committee, 2021, European Commission, 2021). Within 'external verification' is 'certification and assurance', which encompasses certification of sustainability-related internal processes and systems, and assurance of non-financial disclosure.

Alrazi et al. (2015) have adopted a broad perspective of 'legitimacy' and the same has been done by studies such as Atkins and Maroun (2018) and Kannenberg and Schreck (2019). Despite commenting on conceptual differences between legitimacy and reputation, the ELAP framework views these two concepts from the same perspective and group them under the heading 'legitimacy'. Legitimacy emphasises congruence with stakeholders, whereas reputation emphasises a positive distinction with a peer group (Alrazi et al., 2015). While there are studies that associate reputation with legitimacy and use these two concepts interchangeably (Dai et al., 2018), others have considered reputation as a standalone concept and made no reference to legitimacy (Axjonow et al., 2018, Patten and Zhao, 2014). Hence, while these concepts are related, it is more precise to have 'reputation' as a separate component within 'legitimacy'. In addition to those two components, studies on EER have associated accountability with building trust (Hyndman and McConville, 2018, Kim, 2019). Therefore, 'trust' is added as another component, and following Rousseau et al. (1998, p. 395), it is defined as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another".

*2.3 Relationships between and within the main concepts*

Although the ELAP framework depicts a unidirectional flow from 'proactivity' to 'accountability' to 'legitimacy', recent study findings suggest these relationships are bidirectional and 'legitimacy' could directly affect 'proactivity'.

The influence of 'proactivity' on 'accountability' has been well-documented. For instance, within this special issue, Hsiao et al. (2022b) report firms with established sustainability-related practices, such as the presence of a CSR committee, are more likely to voluntarily adopt the IIRF. Kansal et al. (2022) emphasises the importance of stakeholder engagement and dialogue in fostering more meaningful disclosure, and Lakshan et al. (2022) and Steenkamp and Roberts (2022) detail techniques used to determine materiality and how information on value creation is communicated internally and externally. Additionally, the influence of sustainability management systems on sustainability performance and reporting are detailed in Bui and de Villiers (2017a) and Traxler et al. (2020). The influence of 'accountability' on 'proactivity' coincides with findings that show reporting influencing systems and practices such as sustainability control and planning processes and CSR expenditure (Lozano et al., 2016, Oware and Mallikarjunappa, 2022), and the selection of non-financial reporting boundaries affecting corporate sustainability practices (Girella, 2018). Studies also suggest integrated reporting practices could foster integration of sustainability issues into strategy and increase stakeholder engagement (Kannenberg and Schreck, 2019), and extinction reporting could lead to new innovations and improved risk management (Atkins and Maroun, 2018).

In terms of the linkage between 'accountability' and 'legitimacy', conceptually better performance and disclosure demonstrate accountability and help secure legitimacy. While accountability is an important means to develop, manage, maintain and restore legitimacy (Birkey et al., 2016, Hyndman and McConville, 2018, Kim, 2019, Kuruppu et al., 2019), non-financial disclosures have been criticised to reflect impression management rather than genuine demonstration of accountability and commitment to sustainability (Adler et al., 2018, Akbar and Deegan, 2021, Cho et al., 2015a, Kuruppu et al., 2019, Melloni et al., 2017). Such concerns are echoed by papers included in this special issue, with Abhayawansa and Adams (2022) finding a lack of information on pandemic risk and a short-term focus on climate risk, and Hadro et al. (2022) reporting a mismatch between information disclosed and information of interest to stakeholders. These two studies along with Dameri and Ferrando (2022) propose ways of disclosing value creation information, which could improve stakeholder satisfaction and corporate legitimacy. The need to secure 'legitimacy' also affects 'accountability'.

Stakeholder demand, pressure and scrutiny are primary influences of non-financial reporting practices (Adler et al., 2017, Clune and O'Dwyer, 2020, Thorne et al., 2014), and government oversight and regulatory requirements are means to influence disclosure quality (Arif et al., 2022, Kansal et al., 2022, Qian et al., 2022). The need to secure 'legitimacy' also affects 'proactivity', as studies have reported stakeholder pressure shapes sustainability systems and practices (Abdalla and A.K, 2015, Johnstone and Hallberg, 2020, Vilchez et al., 2017).

The 'external verification' concept added links with the other three concepts. The link from 'external verification' to 'proactivity' relates to studies that assessed the influence non-financial assurance has on CSR-related practices, with an example being Christensen (2016) that failed to find an association between CSR assurance and future firm misconduct. There is a bidirectional relationship between 'external verification' and 'accountability', with studies finding disclosure transparency influencing assurance propensity and quality (Dalla Via and Perego, 2020, Datt et al., 2018), and vice versa (Adnan et al., 2018, Hummel and Schlick, 2016). In relation to the bidirectional relationship between 'external verification' and 'legitimacy', as included in this special issue, Grassmann et al. (2022) find third-party voluntary assurance enhances credibility of integrated reports when reports have the characteristic of high disclosed connectivity of capital. Similarly, other studies have reported that non-financial assurance and certification is positively associated with reputation or is used as a legitimisation tool (Birkey et al., 2016, Boiral et al., 2019, Farooq and de Villiers, 2017). In reverse, stakeholder pressure is found to influence non-financial assurance engagements (Farooq and de Villiers, 2017, Gillet-Monjarret, 2015).

Consistent with Alrazi et al. (2015), we posit that the components within each concept influence each other. For 'proactivity', studies such as Journeault (2016) finds systems for eco-control improves eco-learning and environmental innovation, and fosters stakeholder communication and collaboration, and Luo and Tang (2016) find participation in emissions trading schemes increases the quality of carbon management systems. For 'accountability', Velte et al. (2020) documents the interrelationship between carbon performance and carbon disclosure. Further, studies have assessed the effect non-financial performance has on non-financial disclosure practices (Bui et al., 2020, Hsiao et al., 2022b, Hummel and Schlick, 2016), and vice versa (Chen et al., 2018, Li and Jia, 2022, Qian and Schaltegger, 2017). For 'legitimacy', Walsh et al. (2009) modelled the influence of customer satisfaction and trust on reputation, and Kim (2019) assessed trust in CSR communications as a mediator for reputation.

*2.4 Determinants and consequences of EER*

A range of determinants are presented in the ELAP framework, categorised into company features, stakeholder pressure, and external factors. While these categories are specific to environmental performance and behaviour under the ELAP framework, they remain applicable to the context of EER. Nevertheless, we introduce a number of changes. Our EERI framework considers anything related to pressure and demand from stakeholder groups such as regulators, investors, the media, non-governmental organisations, and customers under 'legitimacy' rather than as other determinants. As aforementioned, we define management systems to incorporate both formal and informal systems, meaning 'managerial attitude and motivation', 'strategic attitude' and 'organisational culture' are captured within 'management and accounting systems'. Moreover, we expand on factors that influences, or are influenced by, EER from consolidating the findings of prior reviews and conceptual models (Andrew and Baker, 2020, Atkins and Maroun, 2018, de Villiers et al., 2017, Dienes et al., 2016, Hahn and Kühnen, 2013, Hsiao et al., 2022a, Kannenberg and Schreck, 2019, Velte et al., 2020).

Consistent with categories presented in the ELAP framework, extant research has evidenced that reporting practices are influenced by 'company features' including: 'company size' (Dhaliwal et al., 2014, Haque and Jones, 2020), 'internationalisation' (Ismaeel and Zakaria, 2020, Khan et al., 2020), 'position in the value chain' (Hossain et al., 2017), 'financial performance and position' (Girella et al., 2022, Lee et al., 2017), and 'corporate governance' (Girella et al., 2022, Le et al., 2022). We relabelled 'company size' to 'company size and age' to incorporate firm age (Dienes et al., 2016), and 'financial performance and position' to 'financial and capital markets' to accommodate for other factors such as capital intensity, stock volatility and market value (Andrew and Baker, 2020, Haque and Jones, 2020, Hsiao et al., 2022a, Rashid et al., 2020). 'Visibility' is added as another factor despite overlaps with 'company size and age', as it captures other company features such as media exposure (Dienes et al., 2016, Hahn and Kühnen, 2013). Further, we add 'auditors' given that auditors have been identified as change agents for non-financial reporting practices (Andrew and Baker, 2020, Arora et al., 2022), and 'ownership' and 'partnerships' as these characteristics have been found to influence non-financial reporting practices (Adler et al., 2018, Chi et al., 2020, Muttakin and Subramaniam, 2015).

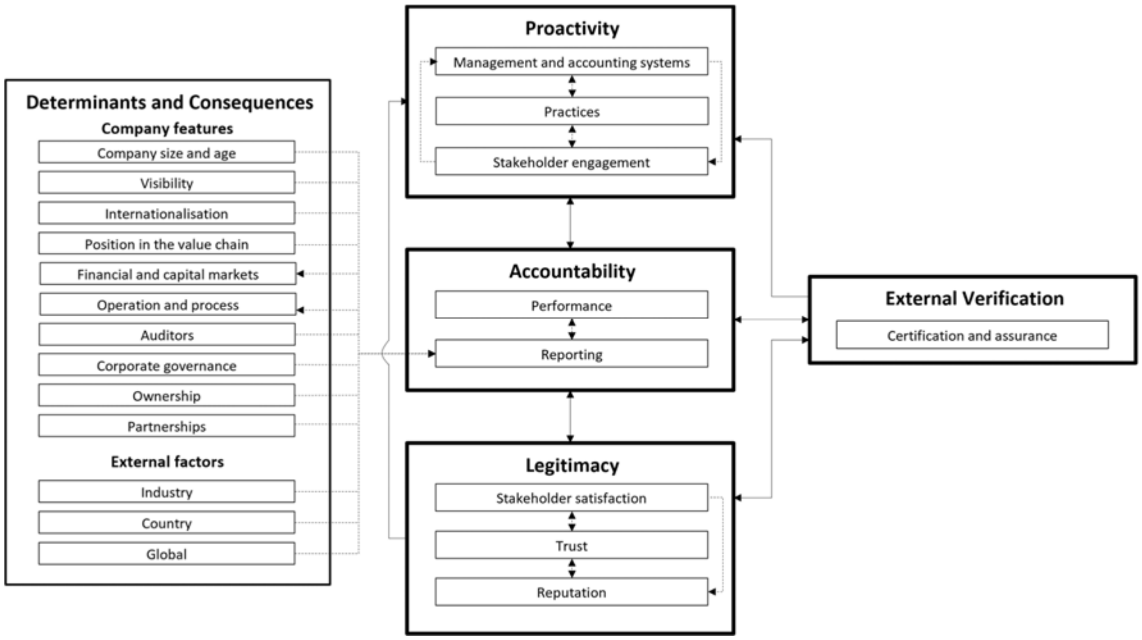
For 'external factors', we relabelled 'industrial sector' to 'industry' to capture industry classification and different industry characteristics (Burritt et al., 2016, Cho et al., 2015b), and 'geographical location' is relabelled as 'country' to cover country classification, national institutions, national culture, nation-wide trends, and regulations (Cahan et al., 2016, Dhaliwal et al., 2014, Hsiao et al., 2022b). We add 'global' as another component to account for and international norms and trends (Abeydeera et al., 2016, Bridges et al., 2022), inclusive of developments and influences exerted by international bodies such as the United Nations, the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC) (Atkins and Maroun, 2018, de Villiers et al., 2017).

In terms of consequences beyond proactivity, accountability, external verification, and legitimacy, extant studies have concentrated on financial and capital market-related consequences (Barth et al., 2017, Cahan et al., 2016, Chen et al., 2018, Dhaliwal et al., 2014). In this special issue, Hsiao et al. (2022b) find no evidence of a difference in firm value, cost of equity, and information environment for firms voluntarily adopting the IIRF compared to firms with similar characteristics that have not adopted the IIRF, and Rossignoli et al. (2022) find the capital market effects may differ due to institutional settings. We add 'operation and processes' since potential benefits of integrated reporting include higher degree of internal collaboration and communication (Kannenberg and Schreck, 2019), and studies have also assessed the influence of sustainability reporting on decision-making and financial information quality (Hsiao et al., 2022a).

## 3. The EERI framework

Figure 1 shows the EERI framework. The framework does not distinguish between different types of EER or different characteristics of disclosure, but rather it is intended to be used as a flexible framework that indicates possible factors that affect, or are affected by, non-financial reporting practices. It is also important to note that there is no indication of whether the factors positively or negatively influence one another, as studies on relationships between and within the four concepts presented and those investigating determinants and consequences of external reporting practices often show mixed results (Andrew and Baker, 2020, Hahn and Kühnen, 2013, Hsiao et al., 2022a).

**Figure 1:** The EERI Framework




Note: This figure presents a conceptual framework for theorising the influences around EER, which encompasses sustainability, integrated, non-financial, and value reporting.

Proactivity comprises any voluntarily adopted practices and initiatives aimed at improving non-financial performance and long-term value creation. It includes: (1) management and accounting systems, defined as formal and informal systems used to manage non-financial performance and information and help integrate sustainable practices into organisational processes; (2) practices, captures any practices and initiatives not considered a part of an organisation's management and accounting systems; and (3) stakeholder engagement, involves interactions with stakeholders to understand their perspectives and make decisions based on the most prevalent matters important to each party. Accountability includes non-financial performance and non-financial reporting and represents a duty of care and responsibility for one's actions. It comprises: (1) performance, includes environmental, social and governance impacts of an organisation; and (2) reporting, captures any form of reporting beyond financial statements. External verification refers to third-party audit and assurance practices of internal processes or external disclosure. It includes certification and assurance, which relates to certification of internal systems and practices and assurance of non-financial reports. Legitimacy is a generalised perception that organisations are operating within socially accepted values and norms. It contains: (1) stakeholder satisfaction, which relates to meeting stakeholder expectations, (2) reputation, defined as stakeholders' perceptions of an organisation in relation to its peers, and (3) trust, considered as the intention to accept vulnerability based on positive expectations of the intentions or behaviour of an organisation. Possible determinants and consequences are categorised in terms of company features and external factors. The interrelationships identified between and within concepts are detailed in Section 2.

## 4. Contributions of the special issue

This special issue contributes to the rapidly developing field of EER. Together the 14 papers included further our knowledge of the factors that influence reporting practices and processes of capturing value creation information, reveal inadequacies in current disclosure content and propose definitions and frameworks to improve communication of information relevant to stakeholders, and provide more insights on the value of integrated reports and assurance to capital providers.

The special issue papers are referenced in developing the EERI framework (see Section 2) and they relate to all concepts presented in the framework as well as various determinants and consequences. The papers related to 'proactivity' and 'accountability' provide useful insights for organisations initiating their non-financial or integrated reporting journey. The findings explain how organisations are capturing information on value creation and emphasise the importance of adequate management and accounting systems in supporting EER (Arora et al., 2022, Hsiao et al., 2022b, Lakshan et al., 2022, Steenkamp and Roberts, 2022). The papers related to 'accountability' and 'legitimacy' echoes the predominant voice in the extant literature that there are differences between stakeholder expectations and disclosure content. The proposals made by the authors can help advance better reporting practices (Abhayawansa and Adams, 2022, Dameri and Ferrando, 2022, Hadro et al., 2022). Studies related to 'determinants and consequences' and 'external verification' contribute insights on the relatively new developments of mandatory requirements and the field of integrated reporting. For determinants, the papers contribute insights on the potential use of mandatory disclosure requirements to stimulate more meaningful disclosure (Arif et al., 2022, Kansal et al., 2022), the influence of corporate governance characteristics on EER in the contexts of a developing country and in Europe (Girella et al., 2022, Le et al., 2022), and possible impacts the IIRF will have future disclosure practices (Bridges et al., 2022). For consequences and external verification, the papers concentrate on capital market consequences and provide further insights on the value of integrated reports and non-financial assurance (Grassmann et al., 2022, Hsiao et al., 2022b, Rossignoli et al., 2022).

*4.1 Influence of regulations and corporate governance on disclosure practices*

Kansal et al. (2022) and Arif et al. (2022) investigate the influence mandatory disclosure requirements have on organisations' practices. In the context of India, Kansal et al. (2022) interviewed regulators and public sector organisations to explore their perspectives on mandatory CSR reporting requirements. Interview evidence shows that regulators and reporters hold contrasting views. While regulators thought the new law would stimulate selection of more impactful projects and more meaningful disclosure, reporters considered regulations to dictate selection of CSR projects, cause stress and loss of focus, and are an additional burden due to the current overregulated environment. Kansal et al. (2022) emphasise the need for dialogue between regulators and reporters to reduce expectation gaps and move towards more meaningful disclosure. Arif et al. (2022) examine the context of Europe, assessing the impact Directive 2014/95/EU has on firms' ESG disclosure quantity and the association between ESG disclosure and earnings risk. The study provides evidence in support of mandating ESG reporting, as the findings show the EU Directive is effective in increasing the quantity of information disclosed. Further, Arif et al. (2022) inferred that the EU Directive increases disclosure quality as firms' earnings risk is relatively lower post-directive compared to pre-directive.

Le et al. (2022) and Girella et al. (2022) investigate the influence corporate governance characteristics have on sustainability reporting and integrated reporting. Drawing on upper-echelons theory and focusing on the context of a developing country, Le et al. (2022) assess the effects board members' personal and cognitive values have on environmental reporting in Vietnam. Overseas study and work experience are identified as two potential contributors to personal and cognitive values. Their findings show board members who studied in Anglo countries tend to disclose more environmental information, whereas there is no evidence of work experience influencing environmental disclosure. Despite identifying a positive association between overseas study experience and environmental disclosure, Le et al. (2022) notes that the overall levels of environmental disclosure in Vietnam is low and there is need for further dialogue about potential disclosure reforms and corporate governance requirements. Focusing on a European context, Girella et al. (2022) adopt agency theory and stakeholder theory in exploring the influence board characteristics have on the choice between sustainability reporting and integrated reporting. The study finds a significant and positive association between both board size and board independence and adoption of integrated reporting or adoption of both disclosure forms, whereas adoption of sustainability reporting is only associated with board independence.

Girella et al. (2022) suggests this finding shows that integrated reporting requires more competencies and monitoring relative to sustainability reporting. The study also finds moderating effects of information asymmetry and financial constraints on reporting decisions.

Another paper by Bridges et al. (2022) reflect on regulatory capture of the IIRC, offering a different perspective on the possible influences the IIRF will have on disclosure practices. The study concludes that development of the framework was to an extent subject to regulatory capture by accountants, but the IIRC ultimately aimed to balance the views of all stakeholders involved in the framework's development. An emphasis on sustainability is not lost despite less focus on environmental sustainability. Bridges et al. (2022) suggests integrated reporting has potential to revolutionise corporate reporting and improve existing financial reporting practices.

### *4.2 Capturing value creation information*

Lakshan et al. (2022), Steenkamp and Roberts (2022), and Arora et al. (2022) employed case study or interview approaches to examine reporting processes and how organisations are capturing information on value creation. These findings are useful for organisations that are planning to start their non-financial or integrated reporting journey.

Lakshan et al. (2022) investigate the techniques integrated report preparers in Sri Lanka use to determine materiality and the challenges they face. The study finds that materiality determination is a complex task due to difficulties in quantifying non-financial information and the need to identify intended users and their information needs. Firms employ a variety of techniques to determine materiality levels, such as stakeholder engagement, advice from annual report design companies, and taking into consideration corporate strategies and key performance indicators. Steenkamp and Roberts (2022) also focus on materiality determination and further examines how value creation information is communicated internally and generated for reporting purposes. Drawing on the experiences of mature integrated reporters in South Africa, the study finds that the approaches adopted differ across organisations. For instance, for materiality determination, some follow a top-down approach while others used a bottom-up approach or a lateral method of communication. There are also different forms of internal communication, such as internal road shows or social media platforms, and organisations with experience in sustainability reporting draw on existing accounting and management systems to collect and process information for integrated reporting, whereas organisations inexperienced at non-financial reporting were required to make significant changes in their information systems.

In examining the involvement of accountants in the process of preparing integrated reports, Arora et al. (2022) find accountants' expertise in corporate reporting and assurance was the main reason for their involvement, and their knowledge about an organisation, analytical skills and interpersonal skills were useful in the preparation process. However, accountants were often deterred from being involved due to the voluntary nature of integrated reporting and the lack of sufficient guidelines. Additionally, the study find accountants did not see value in integrated reporting, which also limited their involvement. Arora et al. (2022) suggest furthering accountants' education and training in non-financial reporting so they can further contribute to multi-disciplinary teams for integrated reporting.

### *4.3 Communicating value creation information*

Abhayawansa and Adams (2022), Dameri and Ferrando (2022), and Hadro et al. (2022) assessed the content of non-financial or integrated reports and indicated differences between expectations and disclosure. These studies propose definitions or frameworks to improve information disclosure relevant to stakeholders and communicating value creation.

The focus of Abhayawansa and Adams (2022) is on pandemic and climate risk reporting. The authors evaluated existing non-financial reporting frameworks and conducted a thorough analysis of the adequacy of pandemic- and climate-related risk reporting in the airline, hotel, and cruise industries. Their assessment shows there have been little consideration given to pandemic risk, while disclosure on climate risk has a short-term focus as it is predominantly on risk related to increased regulation. Abhayawansa and Adams (2022) propose a new definition of materiality and recommend that sustainable development risks and opportunities are placed at the core of future disclosure frameworks.

Dameri and Ferrando (2022) propose a modified IIRF rooted in stakeholder theory. The authors' recommendations include emphasising stakeholders as components of business models and classifying stakeholders into primary and secondary stakeholders, developing appropriate key performance indicators that captures changes in capitals and the outcomes produced, and disclose business processes to highlight the value created for each category of stakeholders. Dameri and Ferrando (2022) tested the proposed modified framework on a case organisation and their study contributes to the continued developments of sustainability reporting and integrated reporting initiatives.

Hadro et al. (2022) compare stakeholders' expectations with information disclosed by European companies in the construction industry. Their analysis shows a mismatch between stakeholders' information needs and information disclosed in non-financial reports, where information of interest to stakeholders, such as on the topics of the circular economy, unethical business behaviour and human trafficking, have been omitted. Further, the study makes a methodological contribution as it suggests the novel approach to text analysis adopted by the authors is better than simple disclosure analysis based on keywords and acts as a more effective tool for evaluating firms' sustainability performance.

*4.4 The value of integrated reports and assurance to capital market participants*

Hsiao et al. (2022b) and Rossignoli et al. (2022) concentrate on integrated reporting in voluntary settings. Hsiao et al. (2022b) explore the differences between firms that voluntarily adopt the IIRF and those that do not, and the capital market effects of voluntary IIRF adoption. The study finds no observable differences between firms where integrated disclosure practices are voluntarily mainstream, while voluntary IIRF adoption is more likely for firms with established sustainability practices in markets where integrated reporting is not mainstream. Further, there is no clear evidence of voluntary IIRF adoption influencing the information environment, the cost of equity and firm value. Together, these findings suggest that the IIRF is an incremental innovation for sustainability, rather than a transformative or radical innovation that changes management and reporting practices. Hsiao et al. (2022b) suggests that unless there are advancements supporting implementation of integrated thinking and information connectivity, the potential for the IIRF or similar frameworks to improve information quality may be limited to encouraging more non-financial disclosure and transparency in countries where integrated disclosures are not mainstream. Rossignoli et al. (2022) investigate the moderating role of institutional characteristics on the association between voluntary integrated report release and analyst forecast accuracy. The study uses cluster analysis to categorise countries into groups with similar institutional characteristics. Rossignoli et al. (2022) find voluntary integrated reports only improves analyst forecast accuracy in institutions with strong institutional enforcement settings, whereas there is no evidence that it is beneficial for countries with weak institutional settings.

In the last paper of the special issue, Grassmann et al. (2022) investigate the effects voluntary third-party assurance has on information asymmetry. There is evidence suggesting assurance enhances the credibility of integrated reports, as the study finds the presence of an assurance statement decreases firms' bid-ask spread. Further, Grassmann et al. (2022)

assessed assurance quality and find it only decreases information asymmetry when combined with high disclosed connectivity of capitals. The study provides evidence on the benefits of assurance and shows the importance of information connectivity in integrated reports.

## 5. Conclusion and research agenda

This study develops a framework that conceptualises influences of EER and introduces papers included in this special issue. We move from the precedent ELAP framework and develop a conceptual framework for theorising and conceptually framing in a flexible and interactive way the influences of EER. From consolidating insights provided by prior conceptual models, reviews and findings of recent EER studies, the EERI framework proposes relationships between and within proactivity, external verification, accountability, and legitimacy, and further identifies possible determinants and consequences of EER. In contrast with the ELAP framework that proposes a linear flow from 'proactivity' to 'accountability' to 'legitimacy', we posit that these relationships are bidirectional. We also broadened and extended components within 'proactivity', 'legitimacy' and 'determinants and consequences' to make the framework more flexible and reflective of findings reported in the EER literature. Further, the introduction of 'external verification' as a standalone component fits with current trends towards mandatory non-financial assurance. The framework may serve as a basis for future research and help researchers conceptualise the influences around EER in a more comprehensive way.

The findings presented by the special issue papers provide useful insights for organisations that are in the early stages of their non-financial or integrated reporting journey, as they detail how organisations can capture information on value creation and key management systems that support EER practices. Further, the papers provide suggestions and frameworks that can help improve reporting practices to better meet stakeholder expectations. Additional insights on the determinants and consequences of EER, focusing on the impact of regulations, corporate governance characteristics and capital market consequences, are also provided.

Drawing on the EERI framework and insights provided by the special issue papers, and considering the dynamic period of standard setting and the reporting landscape, with changes ushered in by the European Financial Reporting Advisory Group, the IFRS Foundation's involvement in sustainability reporting standard setting and the GRI's continued efforts, and the potential that integrated reporting and integrated thinking principles will continue to be supported by the relevant bodies and in practice, we suggest the following areas for future research:

- Internal systems and processes that supports integrated thinking and integrated reporting.
- How regulations can be used to improve EER quality, and the impact of regulations and standards on EER practices.
- The direct effects of current EER practices on stakeholder satisfaction, trust and reputation.
- Ways to improve EER content to meet stakeholders' expectations and information needs.
- Ways and mechanisms whereby external assurance and certification are connected with internal procedures, external reporting, and correlated conceptions of legitimacy.
- Developing more complete understandings of the mechanisms whereby EER lead to better market consequences and which types of EER lead to better market consequences.

Given the rapidly expanding literature on EER and studies often reporting mixed findings on the relationships between and within the concepts presented in the EERI framework and their associated determinants and consequences (Andrew and Baker, 2020, Hahn and Kühnen, 2013, Hsiao et al., 2022a), we also encourage researchers to adopt a broader perspective in their research design. Rather than investigating one or two concepts in isolation, adopting a holistic perspective and considering potential moderating and flow-on effects could lead to more comprehensive insights that helps explain mixed results.

Despite the study's contributions, there are a number of caveats worth noting. First, the focus of the conceptual framework is on EER and therefore the determinants and consequences indicated are specifically related to reporting practices. It would be interesting to assess whether the same factors are applicable to the concepts of proactivity, external verification, and legitimacy. Second, while we consider various conceptual models, prior reviews, and recent study findings in developing the EERI framework, there could be other relevant studies that have been omitted. Future research could adopt a bibliographic analysis approach to provide a more comprehensive coverage to see if the conceptual model could be further developed.

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