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The value creation of integrated reporting: a stakeholder perspective and organisational performance

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

06 November 2017

Abstract

Since its inception, the integrated reporting framework has been the subject of much debate within accounting and sustainability literature, more so in regards to its value creation for stakeholders, other than providers of capital.

The purpose of the research was to answer the question of whether this framework lived up to the contentions by its proponents as being beneficial to all stakeholders as well as to determine if compliance results in positive economic consequences for organisations.

Focusing on the JSE banking sector, the research, which was quantitative in nature, was conducted through a survey questionnaire to determine the perspective of representatives of the customers, employees and investors stakeholder groups of this sector on the decision-making usefulness of integrated reports as well as content analysis to establish if there was any economic value derived by organisation from preparing integrated reports.

The study found that stakeholders did in fact perceive integrated reports as being useful for their decision-making purposes. Moreover, no significant differences were identified in this perception between the three stakeholder groups. In relation to economic consequences, no evidence was found that there existed a positive relationship between high quality integrated reports and the economic performance of the originating organisation.

Keywords: Integrated reporting, Decision-making usefulness, Stakeholders, Perception, Economic performance

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Lebogang Senne

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Date: 06 November 2017

Table of Contents

Abstract i
Declaration ii
Table of Contents iii
List of Figures vi
List of Tables vii
Chapter 1 Introduction to research problem 1
1.1 Definition of problem and purpose 1
1.2 Background 1
1.3 Research motivation 4
Chapter 2 Theory and Literature Review 8
2.1 The emergence of business accountability 8
2.1.1 Stakeholder theory 9
2.1.2 Legitimacy theory 10
2.2 Sustainability reporting 11
2.3 Integrated reporting 13
2.4 Voluntary vs Mandatory reporting 16
2.4.1 Greenwashing 18
2.4.2 The role of government and regulators 19
2.4.3 The role of assurance providers 21
2.5 Decision-making usefulness 23
2.6 Financial and economic consequences of authentic sustainability reporting 24
2.7 Conclusion 26
Chapter 3 Research question and hypotheses 28
Chapter 4 Research Methodology and Design 30
4.1 Introduction 30
4.2 Research design 30
4.2.1 Choice of methodology 31
4.2.2 Research question one 32
4.2.3 Research question two 36
4.3 Conclusion 39
Chapter 5 Results 40
5.1 Introduction 40
5.2 Research question one 40
5.2.1 Description of the sample 40

5.2.2 Validity and reliability....46
5.2.3 Data transformation....48
5.2.4 Statistical results....48
5.3 Research question two....53
5.3.1 Description of the sample....53
5.3.2 Quality of integrated report rankings....54
5.3.3 Organisational performance....54
5.3.4 Inferential statistics....59
5.4 Conclusion....60
Chapter 6 Discussion of results....61
6.1 Introduction....61
6.2 Research question 1....61
6.2.1 Hypothesis 1....61
6.2.2 Hypothesis 2....63
6.2.3 Hypothesis 3....64
6.2.4 Comment on research question one....65
6.3 Research question two....66
6.3.1 Hypothesis 4....66
6.3.2 Comment on research question two....69
6.4 Conclusion....70
Chapter 7 Conclusion....71
7.1 Introduction....71
7.2 Principal findings....71
7.2.1 Stakeholders perception of the authenticity and decision-making useful of integrated report disclosures....71
7.2.2 Economic consequences of authentic integrated reports....73
7.3 Implications for management....73
7.4 Limitations of the research....73
7.5 Suggestions for future research....74
7.6 Conclusion....75
References....76
Appendix A - Ethical Clearance....82
Appendix B - Questionnaire....83
Section A: Demographic information....84
Section B: Stakeholder information needs....85

Section C: The extent to which integrated reports are read and how they are used 88
Appendix C - Constructs and attributes 90
Appendix D - Validity and reliability output 92
Relevance 92
Reliability 93
Understand-ability 94
Comparability 95
Completeness 96
Quality 97
Credibility 98
Factor analysis 99
Appendix E: Statistical results 100
H1: The <IR> framework is positively associated with high quality information that is useful for decision-making. 100
H2: An integrated report is equally useful for decision-making purposes of all stakeholders 102
H3: The verification of integrated reports by external assurance providers is positively associated with the credibility of the reports. 103
H4: Authentic non-financial disclosures following the <IR> framework are positively associated with improved organisational financial performance. 105

List of Figures

Figure 2.1: Decision-making usefulness 14
Figure 2.2: Decision-making usefulness 24
Figure 5.1: Respondents by gender 41
Figure 5.2: Respondents educational background 41
Figure 5.3: Respondents stakeholder groupings 42
Figure 5.4: Respondents who read integrated reports in the last 12 months 42
Figure 5.5: Non-readers of integrated reports by stakeholder group 44
Figure 5.6: Reasons for which stakeholders read integrated reports 45
Figure 5.7: The reading techniques applied to integrated reports 45
Figure 5.8: Mean-score of the credibility variable per stakeholder group 52
Figure 5.9: 5-year average market capitalisation of the nine constituencies within the Banks portfolio of the JSE 53
Figure 5.10 Sample organisations' 5-year average cost of equity 56
Figure 5.11 Sample organisations' cost of equity 56
Figure 5.12 Sample organisations' 5 year average cost of debt 57
Figure 5.13: Sample organisations' cost of debt 58
Figure 5.14: Sample organisations' Tobin's q from 2012 - 2016 59

List of Tables

Table 4.1: EY Excellence in integrated reporting award rankings coding manual 37
Table 5.1: Reasons for not reading integrated reports.....43
Table 5.2: Reliability statistics 47
Table 5.3 KMO and Bartlett's test outputs 48
Table 5.4 Mean score and standard deviation of all constructs 49
Table 5.5 Mean score and standard deviation of usefulness by stakeholder group 50
Table 5.6: ANOVA results for usefulness 51
Table 5.7: EY Excellence in integrated reporting award rankings 54
Table 5.8: Correlation between ranking and organisational performance 60
Table E1.1 Frequency distribution.....100
Table E1.2 Spearman's rho correlation 100
Table E1.3 Timeliness descriptive statistics.....101
Table E2.1 Test of homogeneity of variances.....102
Table E2.2 Tukey multiple comparisons.....102
Table E3.1 Frequency distributions 103
Table E3.2 Spearman's rho correlation 103
Table E3.3 Regression analysis model summary.....104
Table E3.4 Regression analysis ANOVA output.....104
Table E3.5 Regression analysis co-efficient output 104
Table E4.1 Descriptive statistics.....105
Table E4.2 CoE reasonableness ratios 105

Chapter 1 Introduction to research problem

1.1 Definition of problem and purpose

The aim of this research was to establish the perceived usefulness of integrated reports in aiding decision-making by stakeholders and to determine the relationship between integrated reporting and organisational performance.

1.2 Background

The concept that organisations do not exist in a vacuum and that the impact of their operations extend beyond the organisation has been a topic of discussion in literature across various fields. This heightened focus led to the call for business to start acting in a manner that not only benefited the organisation but also took cognisance of other factors impacted by their actions. Bebbington, Unerman, and O'Dwyer (2014) highlighted that the possibilities for social justice, ecological integrity and economic stability were compromised by the profit maximisation objective of business at the expense of social and ecological conditions and, in the absence of current action, were likely to continue in the future.

The realisation of this compromise gave birth to the notion of business accountability, which necessitates that the business community acknowledge the interdependencies that exist between their operations and the society and environment within which they operate as well as to take measures to protect and preserve these elements. Drawing from Bebbington et al. (2014) it is submitted that accountability entails business as a whole operating in a manner that does not cause damage to society nor undermines the stability of the context in which they operate thereby being both economically and socially sustainable. As stated by Mohammed (2013), accountability requires proactive actions by organisation to discover, share and design action programmes that will ensure collaboration with all stakeholders.

To this end, expectations from all sectors of society has been amplified for organisation to be fully transparent in accounting for their social impacts, the actions taken to minimise or prevent the negative effects as well as those that augment the positive contributions of their processes (Hanks & Gardiner, 2012). Amplifying the argument for candid reporting, Ackers and Eccles, (2015, p. 518) indicated that transparent Corporate Social

Responsibility (CSR) reports that provided users with "relevant, accurate, reliable and credible information" increased stakeholder trust and confidence in corporate disclosures.

In response to the above expectations, several frameworks and measurement tools for the reporting of these impacts have emerged over the years notably triple bottom line reporting and Corporate Social Responsibility (CSR) reporting both of which aim to measure the economic, environmental and social impact of an organisation's operations, and more recently integrated reporting. The need for these frameworks was supported by Bebbington et al. (2014, p. 4) who suggested that "broader techniques of sustainability accounting and accountability [had] the potential to be tools in the management, planning, control and accountability of organizations for their social and environmental impacts."

Describing sustainability reporting, the Global Reporting Initiative (GRI) highlighted that it could be "considered as synonymous with other terms for non-financial reporting; triple bottom line reporting, CSR reporting, and more" (GRI, 2017). The GRI goes on to describe sustainability reporting as a core component of integrated reporting (GRI, 2017). Integrated reporting as referenced by the GRI refers to the International Integrated Reporting Council's (IIRC) conceptualisation which it (the IIRC) describes as "enhancing the way organizations think, plan and report the story of their business" (The International Integrated Reporting Council, 2017). Accordingly, the IIRC developed the Integrated Reporting (<IR>) framework with the intention of aiding the provision of a more holistic picture of organisations by integrating financial and non-financial information (Beck, Dumay, & Frost, 2017).

Higgins, Stubbs, and Love, (2014) highlighted that in addition to looking to the future, the premise of integrated reporting is to reflect the linkages between the financial and non-financial drivers of performance as opposed to having this information separately disclosed in sustainability reports. It is worth highlighting that the <IR> framework lists several objectives of integrated reporting consequently, sustainability reporting is only one element, however, it is this element that will form the primary basis of this research.

Due to the limited research in existence on integrated reporting, literature on the broader forms of non-financial reporting as alluded to by the GRI above, formed the basis of this study, with the acknowledgement, however, that due the specific nature and context of

integrated reporting, it cannot be assumed that existing findings concerning stakeholder perceptions from the perspective of financial reporting and the various forms of non-financial reporting equally apply to integrated reporting (Reuter & Messner, 2015).

Though still in its infancy, integrated reporting has become the subject of contentious debate with growing literature providing opposing views on its value and usefulness in enhancing reporting (Abernathy, Stefaniak, Wilkins, & Olson, 2017; Adams, 2015; Flower, 2015; Villiers, Rinaldi, & Unerman, 2014). Additionally, the quality and credibility of non-financial reporting, across all existing frameworks, is to date still considered a challenge (Ackers & Eccles, 2015; Michelon, Pilonato, & Ricceri, 2015). Further highlighting the concerns that surround integrated reporting specifically, Rowbottom and Locke (2016) stated that in relation to other corporate reports, the nature, purpose and position of the integrated report were examples of areas of contention in the establishment of the <IR> framework that required reflection thereby indicating that there is a need to probe the subject further.

In outlining what constituted usefulness or authenticity in non-financial reporting, this researcher considered the quality of disclosure provided, the completeness as well as the credibility thereof as most relevant. Describing quality in the context of disclosures, Michelon et al. (2015) contended that it was dependant on “both the quantity of information disclosed and on the richness offered by [the] additional information.”

These authors further clarified that “richness of CSR information could be thought [of] as the extent to which [the] information help[s] users appreciate the social and environmental impact of corporate activities and infer management[’s] approach to CSR” (Michelon et al., 2015, p. 65). In the context of reporting, completeness finds its foundation within financial accounting frameworks and refers to the portrayal of all information necessary for a user to comprehend the occurrence being portrayed (International Accounting Standards Board, 2017). The standards indicate that for disclosures to be complete, they should include all necessary descriptions and explanations to enable said comprehension. Applying this definition to accountability disclosures, this researcher contends that completeness refers to the extent to which the disclosures equitably present both the negative and positive impacts of the organisation’s operations, while credibility relates to the extent to which stakeholders can trust that the disclosures are in fact complete and of the appropriate quality.

1.3 Research motivation

Allison-Hope (2016) noted that despite the considerable increase in both the quantity and quality of sustainability reporting over the past 20 years, the acceleration of improved sustainability performance and the ability to make informed decision based on the disclosures remained a concern for many organisations. More recently, Abernathy et al. (2017) highlighted that the surge in demand by governments, customers, investors and other users for business CSR performance disclosure was a signal that these constituents valued the information.

In their latest survey of institutional investors, Ernst & Young (EY) found that most of the surveyed investors' investment decisions were significantly influenced by an organisation's non-financial performance (Ernst & Young, 2017), thus emphasising again the importance of this information in decision-making. Similarly respondents to Allison-Hope (2016, p. 1) expressed concern that the volume of reporting could obscure "performance on the most material sustainability issues, while the confusing multiple formats of reporting [could] reduce the practical value of the information disclosed." Drawing from these viewpoints, and focusing on integrated reports as the latest proxy for corporate reporting, this researcher deemed this study necessary on the basis that should the reporting of non-financial information not be authentic but merely symbolic or impression management, then the reliance on these disclosures may create information asymmetry and flawed decision-making (Abernathy et al., 2017).

The shift towards integrated reporting is credited to a growing focus of greater accountability for the social impact of business activities (Hanks & Gardiner, 2012). In their 2012 report on the future of corporate reporting, KPMG international noted that those lauding the need for integrated reporting desired an increased focus on environmental, social and governance (ESG) issues. These acclamations were largely based on the IIRC's discussion paper on integrated reporting issued in 2011. In this paper, the IIRC outlined a vision for integrated reporting as a means to "provide meaningful presentation of an organisation's prospects for long term resilience and success, and facilitate the informational needs of, and assessments by, investors and other stakeholders" (The International Integrated Reporting Council, 2011, p. 10), thereby creating an expectation of stakeholder inclusivity.

The final output from the IIRC's initial engagements in 2011 as embodied in the <IR> framework is a stated purpose of an integrated report being to the benefit of all stakeholders interested in an organisation's ability to create value over time. (The International Integrated Reporting Council, 2013). However, KPMG International (2013, p.14) quoted the chairman of the IIRC, Mervin King as saying "integrated reporting is aimed at the company's providers of financial capital – in short, the investors who own the business." It is these assertions that prompted this researcher to interrogate whether integrated reporting, while aimed at one stakeholder group, i.e. the investors, was still able to achieve its initial vision of facilitating the informational needs of other organisational stakeholders.

Due to the <IR> framework being in existence for less than five years, the body of literature in this area is still in its embryonic phase. Researchers such as Dumay, Bernardi, Guthrie, and Demartini (2016) highlighted the existence of a divide between the theory of integrated reporting and its practical application and therefore encouraged more empirical rather than normative research in order to develop integrated reporting theory into practice. The author argued that practitioners, policy makers and academic researchers needed to communicate and work together in order to close the gap that exists on academic research on integrated reporting, the accounting profession and practice (Dumay et al., 2016).

Further to this, the authors noted that at a regulatory level, robust research evidence indicating the advantages and value of integrated reporting for a variety of stakeholders could aid widespread acceptance, and possible support for future mandatory integrated reporting requirements (Dumay et al., 2016). Abernathy et al. (2017) reiterated these points by emphasising assurance, integrated reporting, standard frameworks and guidelines, and regulation as the major accountability trends in CSR reporting that were causing credibility concerns.

It is with this view in mind that this researcher considered it necessary to investigate if integrated reporting played a role in enhancing the authenticity of corporate disclosures for the decision-making benefit of all organisational stakeholders and not just the shareholders. It is worth noting that while this study considered stakeholders, such as the general public whose consumption might be influenced by a company's sustainability efforts, implications of the research findings were narrowed down to those pertaining to

management and investors as the key players in business. Consequently, this study was envisaged to provide insights to:

- managers and executives who need to determine whether to improve the quality of their CSR disclosures, in the integrated report, when faced with the trade-offs in the costs and benefits of CSR investment (Gao, Dong, Ni, & Fu, 2016; Ge & Liu, 2015); about the potential benefits of CSR activities and the importance of the role of CSR as a strategy that promotes firm performance indirectly through enhancing customer satisfaction, reputation and competitive advantage (Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015); and

- organisations and "investors who want to understand the economic consequences of CSR disclosure quality" (Gao et al., 2016, p. 288).

In conducting this study, an understand of the driving forces behind organisations producing sustainability reports as well as the potential drawbacks of existing measures and frameworks was considered necessary to assess the viability and authenticity of business accountability initiatives and the reporting thereof and how this then impacts stakeholder decision-making. To achieve this, the researcher delved deeper into the various aspects of sustainability reporting, looking at the more common frameworks addressing sustainability reporting as well as the recently developed concept of integrated reporting.

The research drew on: two managerial theories, commonly applied within business accountability research (Huang & Watson, 2015), as the most relevant in informing the driving forces for sustainability reporting; stakeholder theory and legitimacy theory, as well as the concept of 'greenwashing' as a limitation to authentic sustainability reporting. In order to address the stakeholder perspective, the accounting framework outlining decision-making usefulness of disclosures was considered along with other factors such assurance and regulation on improving stakeholder confidence. Lastly, the economic impact of sustainability reporting, as a potential incentive to enhancing the authenticity of the disclosures as well as the credibility of the organisation with its stakeholders, was discussed.

The remainder of this study is structured as follows: Chapter 2 delves deeper into the literature that informs the abovementioned theories, frameworks and consideration. This is followed by a description of the research questions that the literature review prompted, including the hypotheses developed to test these questions in Chapter 3. In Chapter 4, the research methodology and design followed in conducting the study is detailed and discussed. While the results of the study follow in Chapter 5. Chapter 6 provides a discussion of the results obtained as per Chapter 5 and finally, a conclusion and recommendations for future studies is drawn in Chapter 7.

Chapter 2 Theory and Literature Review

2.1 The emergence of business accountability

Over the last few years, organisations have found themselves increasingly under pressure to demonstrate not only their wealth creation initiatives, but their business accountability as well. Mohammed (2013) points out that, despite the wide use of the concept of accountability in business and sustainability reporting, there exists a need to define this term clearly. Drawing on the principles of accountability stated by the author, this researcher proposed the definition of business accountability as "the duty to provide an account…of those actions for which [the organisation] is held responsible…[through] purposeful communicative action [to] and empowerment" (Mohammed, 2013, p. 244), of all the organisational stakeholders. This definition is aligned with Comyns, Figge, Hahn and Barkemeyer (2013) who, in defining accountability, highlighted that the term placed society above an organisation in determining the right to information.

The impact of regulation, risk identification, reputational risk, penalties, and sanctions has created a need for business accountability and robust reporting of an organisation's sustainability efforts (Abernathy et al., 2017). In addition, investors and other stakeholders are increasingly using the reported non-financial information to make resource-allocation decisions. This is because the failure of organisations to identify strategic sustainability risks and responses is potentially harmful to shareholders (in that it may diminish their wealth if the organisation suffers reputational damage) and other stakeholders (as it may cause harm to the environment and consequently their well-being) (Abernathy et al., 2017). To this end, corporate reporting is undergoing a transformation, whereby voluntary reporting is growing with the stated intention of providing information that is more useful and enhances corporate transparency and accountability (Dumay et al., 2016).

Responding to this transformation, a large number of competing reporting standard setting bodies embarked on extensive activity in developing and updating frameworks addressing sustainability reporting as an element of business accountability (Abernathy et al., 2017; Rowbottom & Locke, 2016). This, however, presents a concern that the establishment and viability of standards is compromised and the large number of bodies operating in this domain scatters resources (Rowbottom & Locke, 2016). Understanding the intention behind organisational reporting as well as the various factors that may

determine whether these reports satisfy stakeholder needs presents an opportunity to address the concerns raised by these authors as it could influence future resource allocation.

2.1.1 Stakeholder theory

As stated above, it was determined to look at organisational reporting intent through several lenses, one of which is stakeholder theory. This theory explains that when making decisions, managers should take account of the interests of all of the organisational stakeholders (Mohammed, 2013). The term stakeholders has been widely defined as “all individuals or groups who can substantially affect, or be affected by the activities of an organisation” (Mohammed, 2013, p. 246). This term encompasses, among others, employees, customers, communities and governments (Mohammed, 2013). Ching and Gerab (2017) indicate that gaining approval for organisational decisions from groups whose support is required for the organisation to achieve its objectives is the focus of stakeholder theory.

Linking stakeholder theory to sustainability reporting, Rowbottom and Locke (2016) indicated that organisations whose reporting is driven by this theory are cognisant of the intergenerational consequences of their business activities, which may outreach the long-term horizon of value creation. The authors highlighted that the stakeholder perspective recognises the need for “a reporting framework that provides awareness of the collective positive and negative impacts of business activity with a focus on accountability as opposed to long-term performance drivers” (Rowbottom & Locke, 2016, p. 101), thereby bringing forth an argument for integrated reporting as discussed further below.

While lauding the impact of the stakeholder theory in providing organisations with context for specific accountability measures developed and reported, Bradford, Earp, Showalter, and Williams, (2017) warned that, applying the stakeholder theory without considering the needs of the users of sustainability reports was unlikely to achieve the desired impact sought by organisations. This is even more relevant in light of the fact that the various organisational stakeholder groups may not be accorded the same level of importance in determining which demands the organisation chooses to meet (Ching & Gerab, 2017), thus potentially resulting in discontent among those stakeholders not deemed as crucial.

2.1.2 Legitimacy theory

Campbell (2002) explained that the underlying concept of legitimacy theory is the existence of an expressed or implied social contract between an organisation and the society within which it operates. This was crystallised by Ching and Gerab (2017 p. 98) who proposed that legitimacy could be considered as a widespread "perception or assumption that the actions of an entity are either desirable or appropriate within some socially constructed system of norms, values, beliefs and definitions." Linking the legitimacy theory to business accountability and sustainability reporting specifically, Campbell (2002) stated that this theory suggests that the divergence between how the organisation wishes to be perceived and how it actually is can be reduced though the use of social disclosure.

The strategic importance of achieving legitimacy through the organisation's sustainability reporting was emphasised by Ching and Gerab (2017, p. 98) who stated that basis of this theory was the idea that "organisations must act within the bounds of what society identifies as socially acceptable behaviour" and show adherence to social norms and expectations in order to continue operating. The authors contended that a perceived deviation in an organisation's behaviour from the societal expectations of its behaviour could result in the society revoking the organisation's license to continue operating (Ching & Gerab, 2017).

Additionally, the abovementioned authors highlighted the existence of an overlap between stakeholder and legitimacy theories, in that, to manage legitimacy, organisations must be able to identify who its stakeholders are and what their needs or demands are (Ching & Gerab, 2017). To this end, Bradford et al. (2017) postulated that organisations could protected their legitimacy in society by addressing the divide between sustainability reporting and stakeholder concerns by engaging with stakeholders on their sustainability efforts.

Another perspective of the legitimacy theory thought to be relevant for this research was that raised by Comyns et al. (2013) who, in their research, drew a link between this theory and accountability concerns. Specifically, how these two perspectives could contribute to understanding how the various types of information contained in sustainability reports affected the quality of sustainability disclosures. In consideration of the legitimacy theory

in relation to the <IR> framework, Beck et al., (2017) warned that organisations that sought to achieve strategic legitimacy over symbolic legitimacy might veer away from the IIRC's objective of providing a standardised means of communicating value to stakeholders as they may opt to adopt the framework and other reporting frameworks as they see fit.

2.2 Sustainability reporting

Across the globe, multiple sustainability frameworks are being used; however, the focus of this section is the GRI framework, as the most common framework used in preparing CSR reports. This framework was initially developed with the provision of information to stakeholders as its main objective. Its intention being to gain extensive recognition as a sustainability-orientated framework focused on environmental reporting (Rowbottom & Locke, 2016) however, it was subsequently expanded to include the social and economic elements of triple bottom line reporting (Rowbottom & Locke, 2016).

According to Laufer (2003) in 2002 the GRI's stated mission was the elevation of worldwide sustainability reporting practices to a level equivalent to financial reporting through the design, dissemination and promotions of standardised reporting practices, core measurements, and customised, sector specific measurements; while ensuring a permanent and effective institutional host to support such reporting practices worldwide (Laufer, 2003). This mission however, has now been simplified to the empowerment of "decision makers everywhere through sustainability standards and multi-stakeholder network [in order] to take action towards a more sustainable economy and world" (GRI, 2015). This amendment, has raised the question of whether this is a complete deviation from the GRI's original intent or a more holistic approach.

Criticism has been levelled at framework such as the GRI, following evidence of their specific reports being more symbolic than substantive, having failed to require more than just organisational representation of social responsibility (Abernathy et al., 2017; Laufer, 2003). Researchers have found that business representative activity around sustainability and sustainability reporting is more about an endeavour by organisations to be seen as adhering to sustainability measures, i.e. symbolism, whilst continuing with business as usual instead of being an authentic account of sustainability practice (Gray, 2010; Villiers et al., 2014). This reinforces the views that sustainability reports are a means to achieve symbolic legitimacy rather than strategic legitimacy. In relation to GRI

reporting specifically, Bradford et al. (2017) found that disclosures following this framework did not fully satisfy the interest of consumers.

Providing further insight on the impact of sustainability reporting, Abernathy et al. (2017)'s literature review reflected that, among other factors, the increase in the adoption of CSR was linked to the economic benefits associated with it, other words strategic legitimacy, where organisations seek to please stakeholders in a manner that is beneficial to the organisation (Haji & Anifowose, 2017). The authors indicated that researchers found that CSR disclosures increased customer loyalty, generated positive publicity about the company, and ultimately enhanced corporate reputation while lowering equity costs and increasing borrowing capacity (Abernathy et al., 2017) thus substantiating the view that the reporting was indeed driven by organisational self-interest.

These above findings are in contrast to the views held by Comyns et al. (2013) who contended that the objective of sustainability reporting by organisations should be to provide credible and truthful disclosures of their environmental and social activities to stakeholders regardless of the economic impact for the organisation. Thus, providing further evidence of the discourse that surrounds the business accountability-reporting domain.

Comparing CSR reporting to financial reporting, Tschopp and Huefner (2014) conceded that although CSR reporting had come a long way since early reports were first issued, there would still be many deficiencies in comparability when it came to providing decision-useful information until there was one agreed upon global standard. Among other factors, these deficiencies are what ultimately lead to the conceptualisation of the <IR> framework. In a show of support of this framework, the GRI has reframed its priority initiatives to: the: advancement of the use of integrated reporting, standardisation of CSR reporting, outreach and support for CSR reporting, and promotion of a 'report or explain' approach to sustainability reporting (Abernathy et al., 2017).

2.3 Integrated reporting

South Africa is credited as the pioneer of integrated reporting, with the release of the King Code of Corporate Governance Principles (King I) in 1994 (Dumay et al., 2016) setting the wheels in motion for what may be considered the foundation of the <IR> framework as it currently stands. The main differentiating factor of King I from other reporting frameworks was its promotion of an inclusive stakeholder view of the corporation's influence (Dumay et al., 2016). The intersection between the King Code, the GRI and triple bottom line reporting occurred in 2002 when the King II report introduced *Integrated Sustainability Reporting* in recognition of the complexity inherent in non-financial reporting (Dumay et al., 2016).

This was followed, in 2009 by King III "which advocated [integrated reporting] as a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability" (Dumay et al., 2016, p.167). More specifically, it recommended that organisations move away from reporting on governance, strategy and sustainability separately in favour of reporting on these elements in an integrated manner (Rensburg & Botha, 2014).

Internationally, the need for integrated reporting, which culminated in the creation of the <IR> framework in 2012, was recognised following the acknowledgment that sustainability was more than just linking the three aspects of performance advocated by triple bottom line reporting and the GRI framework (Rowbottom & Locke, 2016). That following these frameworks and practices failed to provide an understanding of the state of the social and ecological systems on which an organisation relies (Buhr, Gray, & Milne, 2014), and ultimately as a response to "calls to integrate financial and non-financial information with the goal of providing a more holistic picture of an entity" (Beck et al., 2017, p. 193).

Explaining how integrated reporting differs from sustainability reporting, Higgins et al. (2014) indicated that through future orientated reporting, integrated reporting sought to capture the linkages between the financial and non-financial drivers of performance. Figure 2.1 below provides a graphical representation of KPMG (2016)'s interpretation of how the <IR> framework content elements and guiding principles can aid in reflecting these linkages while keeping stakeholders at the centre.

Figure 2.1: KPMG <IR> Wheel

Source: (KPMG - AAS, 2017)

Referencing the IIRC, Rowbottom and Locke, (2016) highlighted that the IIRC considered an integrated report as the end product of a process, achieved through integrated thinking, aimed at helping organisations to communicate their unique value creation story. This characterisation reveals what some researchers consider to be an abandonment of the IIRC's initial objective of, among others, improving sustainability reporting in favour of the promotion of integrated thinking within organisations with the overarching objective of value creation.

Authors such as Brown and Dillard (2014), extended criticism towards what they considered to be the <IR> framework's business case focus, stating that it provided an inadequate and one sided approach to evaluating and reporting on sustainability matters. These authors stated that "integrated reporting appears to be designed to serve the interests of finance capital far more than wider public interests" (Brown & Dillard, 2014, p. 1124). These sentiments are echoed by Flower (2015) and Villiers et al. (2014) who contended that the eventual presentation of integrated reporting, as being strategically focused on future actions and plans, centred on value creation, stood in stark contrast with the original emphasis on all stakeholders and the encouragement of accountability for the impacts of corporate activities.

Villiers et al. (2014) pointed out that this shift indicated that the target audience for integrated reporting had been fundamentally altered from that of sustainability reports, in that, while sustainability reporting aims to provide social, environmental and economic information to a wide range of stakeholders, integrated reporting sought to present information related to broad risk evaluation and potential future value growth, therefore being of more interest to shareholders and potential investors (Villiers et al., 2014). More blatant in his criticism, Flowers (2015, p. 5) stated that, "the primary purpose of an integrated report [as espoused by the <IR> framework,] is to explain the firm's value creation to providers of financial capital and hence 'value' has to be interpreted according to their interests" and by extension not that of any of its other stakeholders.

Adams (2015) and Abernathy et al. (2017) on the other hand contended that the foundation for integrated reporting was the belief that combining CSR performance and initiatives alongside financial reporting data would focus stakeholders on the long-term value of the firm. In further defence of integrated reporting, Adams (2015) highlighted that sustainability was but one aspect of integrated reporting and that the overarching principle of the <IR> framework was to encourage integrated thinking, specifically "longer term thinking when considering what value means, to whom, as well as the acknowledgement of the role of staff, broader society and the environment in creating" (Adams, 2015, p. 23) this value. This view was reiterated in part by one of the interviewees in Rowbottom and Locke (2016) who acknowledged that integrated reporting was an evolution of corporate reporting, of which sustainability is a component, rather that the evolution of sustainability reporting itself.

Discussing the literature that exists on integrated reporting, Cheng, Green and Ko (2015, p. 132) noted that integrating nonfinancial sustainability measures with financial reporting was seen as having "the potential to improve strategic decision-making and to enhance [an organisation]'s ability to create long-term, shared stakeholder value." The authors lauded integrated reporting for creating the awareness among organisations that sustainability management should form an integral part of the value driving activities of the organisation as opposed to being isolated from the core of the business operations and performance (Cheng et al., 2015).

The opposing views as detailed above highlight what van Bommel (2014) described as the complexity inherent in the concept of integrating reporting as a legitimate compromise for addressing the needs of all stakeholders. Analysis performed by the author found that integrated reporting ran the risk of condemnation for favouring powerful market participants at the expense of earnestly advancing social and environmental justice (van Bommel, 2014). This point consequently raised the question surrounding stakeholder perception of integrated reporting, both from an authenticity (quality, relevance and completeness) perspective as well as in providing useful information necessary to inform their decision-making. The <IR> framework does, however, appear to address the proposition offered by Bradford et al. (2017) for organisations to consider the views of their stakeholders when deciding on activities to invest in and the related reporting thereof as well as providing indication of priority in order to address the disconnect the authors identified between consumer needs and CS reports.

Through the environmental, social and governance (ESG) lens, Cheng et al (2015) offered potential insight from an investor perspective, indicating that these stakeholders were more willing to invest an organisation if the ESG indicators reported had higher strategic relevance. This finding is important in relation to the <IR> framework, which highlights the importance of providing insight into the organisations strategy (The International Integrated Reporting Council, 2013). The authors did warn however, that "it is the investors' perceptions that drive their investment decisions, rather than 'actual' strategic alignment between ESG indicators and the company's strategy" (Cheng et al., 2015, p. 133) therefore still raising the question of whether the disclosures are a true reflection of an organisation's strategy or purely perception management aimed at achieving self-interested objectives.

2.4 Voluntary vs Mandatory reporting

Should social and environmental disclosure be voluntary? This question was posed by Laufer (2003, p. 258) noting that "at the heart of the practical debate over corporate social accountability [were] fundamental questions of regulation." The author pointed to a growing consensus that bemoaned the quality and reliability of voluntary disclosure (Laufer, 2003). Huang and Watson (2015) noted that, while CSR activities and disclosures were often considered a form of self-regulation, therefore voluntary, government- and stock exchange-driven regulations were in fact formalizing CSR disclosure for many organisations, thus gradually making them mandatory.

Mandatory sustainability reporting draws on the regulative element of institutions, which involves; “rule setting, monitoring and sanctioning activities that constrain and regularise behaviour” (Abeydeera, Tregidga, & Kearins, 2016, p. 483). It is said that the reason behind organisations following regulative systems is to ensure that they achieve organisational objectives, thus purely ensuring compliance to achieve self-interested means over doing what is good because it is good. In contrast voluntary reporting is said to follows the normative element comprising of “social values and norms that create social expectations in pursuing organisational goals and objectives” (Abeydeera et al., 2016, p. 483). The underlying logic of voluntary reporting is pertinence or a reflection that something is the right thing to do (Abeydeera et al., 2016).

Higgins et al. (2014) found that recent studies related voluntary reporting to internal organisational factors and characteristics, such as the alignment of management with sustainability and responsibility, thus rebutting the perception of earlier literature, which leaned toward the assumption that voluntary reporting was a rational, deliberate activity undertaken by purposeful managers with a strategic outcome in mind. Nonetheless, as sustainability reports are about voluntary disclosure by companies and do not follow any mandatory reporting criteria, one of their drawbacks is that stakeholders find it difficult to determine which organisations are ‘good’ (Ching & Gerab, 2017). Moreover, these reports are being perceived as non-credible communication tools for many readers and have been criticised for showing little actual substance or for providing minimal disclosures (Ching & Gerab, 2017).

Highlighting a further drawback of voluntary reporting, Abernathy et al. (2017) singled out the lack of harmonisation in standards and measurement as well as discretionary disclosures as enablers for organisation to employ impression management and opportunistic disclosure, thereby undermining the usefulness of the information. Buhr et al., (2014) offered a potential solution to this impression management challenge, stating that most organisations co-operate with government policy, to the extent that it is enacted in law and regulations. The authors, did however, concede that organisations “also work terribly hard at times to frustrate the public policy process both through claims to voluntary responsibility (including reporting) and more directly through lobbying against prospective legislation” (Buhr et al., 2014, p. 52).

In putting forward a theoretical prediction of the quality of disclosures contained in sustainability reports, Comyns et al (2013) offered a different perspective on how the type of information disclosed may contribute to the argument of regulation and the potential value it adds. Specifically, the authors identified that credence information (i.e. information that cannot be verified without some form of expert skill or in-depth operational knowledge), may benefit from mandatory regulation in order to improve the quality of these disclosures, thus enhancing their usefulness for stakeholder decision-making (Comyns et al., 2013). By extension, it can then be argued that the rest of the disclosures (i.e. search and experience information) can easily be verified for quality and usefulness therefore not requiring regulation. These authors do however note that regulation is meaningless without enforcement (Comyns et al., 2013).

Given its largely voluntary nature, it is plausible that the <IR> framework would also be subject to the same type of criticism and challenges. South Africa, as the first country considered to have indirectly mandated integrated reporting of listed entities through the Johannesburg Stock Exchange (JSE)'s requirement that these companies adopt the King Code or explain, offers a case study for this aspect of the debate.

2.4.1 Greenwashing

Vos (2014) defined 'greenwashing' as the dissemination of disinformation by an organisation in order to present an environmentally responsible public image. This practice involves misrepresentation of the environmental practices of an organisation or the environmental benefits of their product or service without putting its rhetoric into practice (Parguel, Benoît-moreau, & Larceneux, 2011; Vos, 2014). More specifically linked to sustainability reporting in terms of the existing frameworks, Laufer (2003) highlighted the inconsistency in organisations' purported commitment to compliance in relation to the execution of the said commitments. A practice often achieved through selecting to report high-performing areas at the expense of reporting in areas where performance is lacking as opposed to fully implementing the reporting frameworks (Abernathy et al., 2017).

Buhr et al. (2014) noted that an in-depth analysis of sustainability reports and utterances on sustainability expose organisational self-interest as a priority, and only second, organisational interactions with society, the economy and the physical environment. Laufer (2003) therefore argued that "left unregulated and unchecked…compliance [with

sustainability reporting frameworks] often devolves into a creative blend of risk and reputation management in [organisations] with less than inspired ethical leadership" (Laufer, 2003, p. 255). The author acknowledged that a challenge that continues to exist relates to safeguarding verification and the mechanisms by which organisations' representations are methodically evaluated (Laufer, 2003) and that the lack of metrics for assessing compliance effectiveness, leaves regulators with no choice but to rely on little more than organisational representations (Laufer, 2003). He therefore proposes that overcoming this challenge requires some form of audit, verification and validation of the various forms of sustainability reports (Laufer, 2003).

2.4.2 The role of government and regulators

Rowbottom and Locke (2016) offered the view that one of the most important ways to enhance the credibility of CSR reporting is to have proper regulation. The authors criticised what they termed the practice of "outsourcing standard setting to private bodies" for its effect of creating discourse on how regulators choose to adopt one standard over another and subsequently the control the regulator can then achieve over said standard setter (Rowbottom & Locke, 2016, p. 87).

Commenting on the IIRC, Rowbottom and Locke (2016) highlighted that by virtue of being a voluntary organisation, it does not hold the power of a State, i.e. the authoritative, material, sanctioning power, and therefore risk being unsustainable. Additionally, the authors also contended that the IIRC does it have "coercive power to require those preparing reports, whether they are part of the IIRC or not, to adhere to the <IR> framework" (Rowbottom & Locke, 2016, p. 87) thereby resulting in selective participation by stakeholders conditional on whether or not they are satisfied that their trepidations are given due consideration in the project (Rowbottom & Locke, 2016). The authors did, however, acknowledge that by relying on "an extensive actor network for resources and recognition through voluntary adoption rather than State regulation" (Rowbottom & Locke, 2016, p. 107), the IIRC could have the potential to impact or circumvent national regulators and set international corporate reporting norms.

The notion of setting international corporate reporting norms was advocated by Abernathy et al. (2017) who proposed that the formation and implementation of agreed-upon CSR reporting standards might have the potential benefit of helping to create credible CSR information across the globe. The authors pointed out that "if countries and

markets differ in terms of defining and regulating CSR requirements, comparability [and by extension credibility] across geographies, markets, and jurisdictions becomes problematic" (Abernathy et al., 2017, p. 34), thus pointing to an opportunity for collaboration between standard setters, governments and regulators in standardising CSR reporting.

In a study of four countries that mandate corporate sustainability reporting, Ioannou and Serafeim (2014) found that regulations had different effects across the countries in their sample depending on the local context and the in-depth understanding of the motivations for sustainability disclosures. The findings indicated that countries that were characterised by severe social and environmental challenges displayed a significant increase in disclosure, while those with less severe social and environmental challenges did not display an increase in these disclosures (Ioannou & Serafeim, 2014). Additionally, the researchers also found that the countries with increased disclosures also sought to increase the comparability and credibility of the disclosed information (Ioannou & Serafeim, 2014).

According to Rowbottom and Locke (2016), the reliance on national regulators for approval and execution by private transnational standard setters make the regulator a crucial ally in a reporting standards' bid for supremacy. This is due to the authoritative power of the regulator to require the application of such standard (Rowbottom & Locke, 2016). The authors argue that "a way to escape the pressures involved in private standard setting is to obtain regulatory backing, which [will] guarantee a critical mass of adoption and dominance" (Rowbottom & Locke, 2016, p. 107). To this end, they posited that "the adoption of integrated reporting by the JSE [in South Africa] is particularly important to the <IR> programme in providing a rehearsal of the possibilities for regulatory action for other national and transnational regulators" (Rowbottom & Locke, 2016, p. 91).

A study by Atkins and Maroun (2015) of integrated reporting in South Africa, two years after it was mandated by the JSE, found an increase in the weight accorded to non-financial measures as evidence of an attempt to provide greater understanding of an organisation's sustainability. Furthermore, interviewees in this study remarked "on how integrated reporting was becoming an integral part of organisations' credibility and an important source of legitimacy for the South African capital market" (Atkins & Maroun,

2015, p. 215). While a positive sign, these findings do not draw a direct link on whether the improvement in credibility was a consequence of regulation or purely improved reporting brought on by integrated reporting. More categorical, Wang, Tian, Fan, and Luo (2017) concluded, from their study of mandatory CSR reporting in China, that mandatory disclosure regulation lead to an improvement in the quality of CSR reports in general. It is worth noting however, that although accorded a similar status as South Africa, of an emerging market, the political factors in China, in relation to other parts of the world, may have an impact on these findings.

2.4.3 The role of assurance providers

Ching and Gerab (2017) noted that despite the adoption of sustainability frameworks being voluntary, many companies seek out assurance of their sustainability disclosures in an attempt to demonstrate credibility, of both the organisation and the disclosures, to external stakeholders. Researchers contended that without assurance, stakeholders may view sustainability reporting as a public relations strategy providing limited value to stakeholders and representing unsubstantiated proclamations of organisational management (Abernathy et al., 2017; Ackers & Eccles, 2015). According to Ackers and Eccles (2015), balanced corporate reporting is upheld by independently verifying CSR reports while at the same time "providing CSR report users with confidence about the inclusiveness, materiality, completeness, context, validity, relevance and integrity of the underlying CSR disclosures" (Ackers & Eccles, 2015, p. 519). Accordingly, the authors offered that CSR assurance enhanced corporate accountability by solidifying stakeholder trust and confidence about the authenticity of corporate reporting (Ackers & Eccles, 2015).

A drawback to assurance however, is that it neither captures the amount of sustainability information disclosure nor the quality of the information disclosed (Ching & Gerab, 2017). Additionally, as pointed out by Cohen and Simnett (2015), the CSR assurance market is currently unregulated, posing a concern in terms of the credibility of the assurance providers themselves. These authors stated that the broad range of alternative professions providing assurance for CSR offered limited insight on the best practices for performing a high-quality assurance engagement (J. R. Cohen & Simnett, 2015). Similar sentiments have been expressed by other researchers who have noted that the overall credibility of verification of sustainability disclosures was adversely impacted by the inconsistency in the approaches to verification (Ackers & Eccles, 2015; Laufer, 2003). In

their study of user perception of assurance of CSD disclosures, Wong and Millington (2014) offered the insight that the level of stakeholder trust of assurors, rooted in the perception of assurors independence, determined their demand for assurance.

Referencing a study conducted in 2011, Abernathy et al. (2017) indicated that the study found that the assurance of CSR reports by professional accountants created a perception of higher credibility when compared to those assured by sustainability experts, therefore, implying that to maximise the perceived credibility of their CSR reports, organisations should have these reports assured by professional accountants (Abernathy et al., 2017). Offering some guideline to what may contribute to the credibility of assurance providers, Cohen and Simnett (2015) highlighted the importance of the assurer's independence of the reporting entity and the possession of a sufficient understanding and expertise on the various ways of measuring and reporting CSR information as factors that enhance the value of assurance. In addition, these authors also pointed to training and proficiency in assurance and evidence-gathering techniques as well as adequate quality control over the process as a means of ensuring that appropriate care and skill is applied on each assurance engagement (J. R. Cohen & Simnett, 2015).

Not everyone, however, agrees that the involvement of professional accountants in sustainability assurance is a positive thing. Over a decade ago, Laufer (2003) in his assessment of corporate greenwashing questioned whether the movement of financial accountants into the realm of social auditing, would yield any improvements to the practice of greenwashing. It would appear that this scepticism still exists as recent literature reveals. Rowbottom and Locke (2016, p. 87) indicated that concern had been expressed over "the mediating role of the accounting industry in economising social responsibility issues [being] an example of liberal market capitalism's successful redirection of the criticisms that would otherwise be levelled against it."

Flower (2015), in relation specifically to the <IR> framework, questioned the strong representation of the accountancy profession in the IIRC, as to whether it reflects a genuine interest in reforming financial reporting or a means to control a new initiative that threatened their established position. This author concluded his paper by resolutely stating that "it would not [be] an exaggeration to claim that the IIRC has been 'captured' by the preparers and the accountancy profession" (Flower, 2015, p.17).

Offering further insight on the issues surrounding the assurance of sustainability reports, a study referenced in Abernathy et al. (2017) found that while external assurance providers recognised the importance of the completeness of their assurance reporting in order to establish legitimacy with external stakeholders, they faced a challenge that management exercised a great deal of control over the assurance process and often negotiated with the assurance providers over what data to include in the CSR report. This finding reiterates the question of whether it can be said that sustainability reporting is in fact authentic, with or without assurance.

2.5 Decision-making usefulness

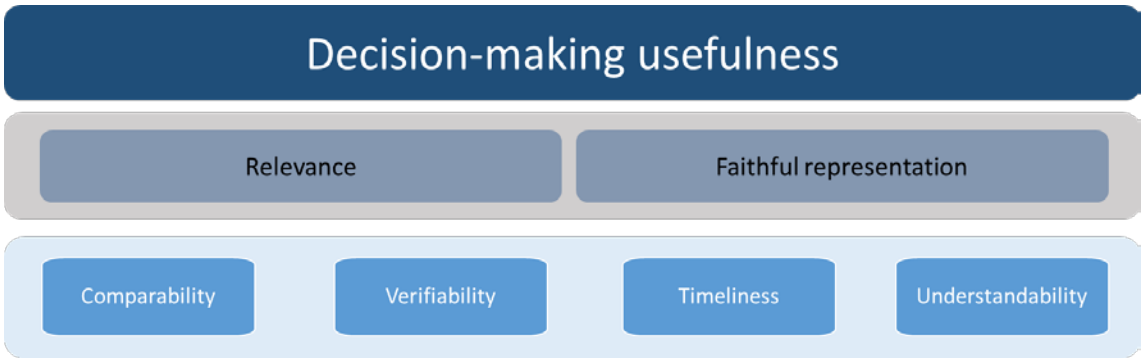
Decision-making usefulness finds its foundation within financial reporting frameworks. In describing the purpose financial reporting, Financial Accounting Standards Boards indicated that fundamental to financial reporting was the provision of "financial information about the reporting entity that is useful to existing and potential investors…in making decisions about providing resources to the entity" (Financial Accounting Standards Board, 2010, p. 1; International Accounting Standards Board, 2017 p. 4). The GRI accords similar importance to decision making in relation to non-financial information through its mission statement of empowering decision makers (GRI, 2015).

This congruence by these standard setters along with the findings by Wong and Millington (2014) that stakeholders relied on multiple sources of information in making decisions, give impetus to the IIRC's vision of integrating financial and non-financial information, presumably to enable better decision-making as one of its objectives. Listing, among others, stakeholders such as labour unions, employees, governments and employees as examples of those failed by integrated reporting in responding to both their accountability and decision-making needs, Brown and Dillard (2014) challenge the <IR> framework's ability to be beneficial to those outside of the investor/shareholder group.

Providing guidance on what contributes to decision-making usefulness information, standard setters cite relevance and faithful representation as key attributes. Additionally, as depicted in Figure 2.2, they highlight comparability, verifiability, timeliness and understandability as characteristics that enhance usefulness (Financial Accounting Standards Board, 2010; International Accounting Standards Board, 2017). These

various characteristics bear significance in light of Wong and Millington (2014)'s findings that users relied on multiple cues to make decisions, drawing them to the conclusion that while some cues may be more important than others it was unlikely that any information attribute alone was independently and sufficiently adequate in supporting decision making (Wong & Millington, 2014).

Figure 2.2: Decision-making usefulness



2.6 Financial and economic consequences of authentic sustainability reporting

As indicated above, Abernathy et al. (2017) suggested several factors as being behind the rise in sustainability reporting. It is based on this reasoning, that this researcher was led to contemplate how or if mitigating the identified concerns influenced the economic performance of organisations that not only disclose sustainability information but also do so authentically. As part of their literature review, Gao et al. (2016) identified research that points to sustainability disclosures being noted as providing investors with information regarding future cash flows. The authors highlighted that this finding was based on the assumption that, among other implicit or explicit transaction costs, the social activities were related to regulatory costs as well as consumers' inclination to purchase a socially responsible organisation's products (Gao et al., 2016).

In their investigation of sustainability disclosures and the cost of equity capital, Dhaliwal, Zhen, Tsang and George (2014) found that in countries that are more stakeholder-oriented, sustainability disclosure strongly decreased the cost of equity capital. Similarly, Ge and Liu, (2015)'s findings on the relationship between corporate social responsibility and the cost of debt capital suggested that while CSR activities required the use of organisational resources, they also resulted in benefits to these organisations in that

these activities resulted in lower costs of public debt financing. In arriving at this conclusion the authors found that “overall CSR performance is associated with better credit ratings and lower yield spreads in new corporate bond issues” (Ge & Liu, 2015, p. 620). Likewise, Price and Sun (2017) found evidence that firm performance was positively influenced by CSR and negatively influenced by corporate social irresponsibility (CSI).

While these studies focused on actual CSR performance rather than the reporting thereof, it goes to reason that as the results of an organisation’s CSR activities are published through some form of sustainability report, one can draw the link that like with the cost of equity, sustainability disclosures result in lower cost of debt capital. Taken together, these findings indicate that sustainability reporting shines a light on organisational CSR investments, which are not only beneficial to society, but also to the organisations themselves because they reduce both the cost of equity and debt capital (Dhaliwal et al., 2014; Ge & Liu, 2015)

Providing another lens in assessing the financial consequences of sustainability, Saeidi et al. (2015)’s findings in their study of Iranian manufacturing and consumer product firm, suggested that CSR action indirectly enhanced firm performance through customer satisfaction, reputation and competitive advantage. This view was drawn from the notion that through engaging in CSR activites, organisations were able to increase customer satisfaction thereby gaining a better reputation and competitive advantage, all of which leading to financial benefits for the organisations. A similar inference to that, drawn on the Ge and Liu (2015) research, is that these benefits are essentially gained through the sustainability disclosures as a means to reporting the CSR actions taken.

While the above findings firmly indicate that organisations obtain financial benefits in various ways through sustainability reporting, they drew criticism from Gao et al. (2016) who noted that the researchers merely based their findings on the existence of disclosures as opposed to the quality thereof. To this end, the authors added to existing literature by addressing the economic consequence of non-financial disclosure quality. Through their research, they found “that higher quality CSR disclosures translate[d] into better pricing terms during [equity offerings] and bond issuances through mechanisms [such as] greater analyst coverage, higher levels of institutional ownership, and greater stock liquidity” (Gao et al., 2016, p. 313).

2.7 Conclusion

As reflected in this chapter, organisational reporting has evolved quite significantly moving from purely financial reporting aimed at shareholders to the realisation that organisations have a responsibility to future generations and consequently should aim to operate in a sustainable manner, i.e. be accountable (Abernathy et al., 2017; Comyns et al., 2013; Dumay et al., 2016; Mohammed, 2013). With the advent of this need for accountability came the requisite for transparency in how these sustainability initiatives were implemented and measured. This presented a new paradigm of reporting frameworks, including the GRI and <IR> framework, all of which aimed to provide some level of guidelines of what constitutes appropriate business practice and communication.

Consistent, among all these frameworks has been the emphasis on consideration of stakeholders and not just shareholders, but perhaps most notably is the contradiction in the literature over the value of these frameworks, specifically relevant to this research, the <IR> framework (Adams, 2015; Beck et al., 2017; Bradford et al., 2017; Buhr, Gray, & Milne, 2014; Flower, 2015; Tschopp & Huefner, 2014; Villiers & Staden, 2010).

Furthermore, the literature has shown that there is contention regarding the intentions of organisations providing accountability disclosures, others attributing it to the notion of organisations acting in the best interest of all stakeholders as embodied by the stakeholder theory, while others attributed it to an attempt to gain legitimacy for the organisation as per the legitimacy theory (Beck et al., 2017; Campbell, 2002; Ching & Gerab, 2017; Rowbottom & Locke, 2016). The concept of greenwashing was noted as a concern largely attributed to accountability disclosures as a means of seeking legitimacy over it being an account of authentic sustainability efforts and outcomes (Buhr et al., 2014; Laufer, 2003; Parguel et al., 2011; Vos, 2014).

Additionally, the decision-making usefulness of these disclosures was also discussed, reflecting that central to the intent of reporting was whether the disclosure offered authentic information that users are able to rely on (Wong & Millington, 2014). To this end, this chapter also looked at what researchers had found in terms of what provides veracity to accountability disclosures. A divergence was found when it came to views on the impact of regulation and assurance on the credibility of disclosures (Abernathy et al., 2017; Ackers & Eccles, 2015; Atkins & Maroun, 2015; J. R. Cohen & Simnett, 2015;

Ioannou & Serafeim, 2014; Rowbottom & Locke, 2016; Wang et al., 2017). Lastly, consideration of the financial consequences of engaging in sustainability reporting found that most literature concluded that there were more benefits than costs associated with this type of reporting (Dhaliwal et al., 2014; Gao et al., 2016; Ge & Liu, 2015).

In light of the above findings stemming predominant from research on the subjects of CSR and sustainability reporting, this study aimed to assess how these faired in relation to integrated reporting as embodied through the <IR> framework. Specifically, it seeks to solicit a stakeholder perspective of the culmination of business accountability as reported in the integrated report in providing information that suits their decision-making needs.

The following chapter details the research questions that were informed by the above literature as well as the hypotheses formulated to test these questions. This is then followed by a discussion of the research methodology employed in chapter 4 and the results and discussion thereof in chapters 5 and 6 respectively. Finally, a conclusion is drawn on the findings of the study in chapter 7 with recommendations for future research.

Chapter 3 Research question and hypotheses

The previous chapter presented the complexities that surround the general corporate reporting landscape. Academics and practitioners alike are divided in their opinions of how and why organisations carry out their corporate reporting, specifically in relation to non-financial disclosures. What is common, however, is the view that sustainable corporate practice is ultimately beneficial to all stakeholders and does not necessarily erode shareholder value as might be perceived at face value.

This researcher shares and wished to extend Gao et al. (2016)'s view that the creation of stakeholder value only truly exists when the disclosures are authentic and useful. Focusing solely on the <IR> framework as the latest revolution in the disclosure of financial and non-financial information, this research has sought to establish if the same findings on the broader non-financial disclosure domain hold true for integrated reporting by asking the following research questions:

RQ1: Do organisational stakeholders perceive the information contained in IR as authentic and therefore useful for decision making?

In attempting to answer this question, the management theories along with the different measures and factors that can influence the authenticity of sustainability disclosures discussed above where combined to formulate the research hypotheses.

In line with the legitimacy theory, this researcher posited that as part of a strategy to maintain their standing in society, organisations were likely to aspire to complete and high quality non-financial reporting. This was on the premise that there is a greater incentive to disclose sustainability information and the better its quality, the better society and stakeholders will perceive the organisation thus resulting in its actions being legitimised and information asymmetry being reduced (Ching & Gerab, 2017). By reducing information asymmetry, the decision-making processes and consideration by both organisations and their stakeholders are enhanced. This researcher therefore hypothesised that:

H1: the <IR> framework is positively associated with high quality information that is useful for decision-making.

Legitimacy and stakeholder theories "can contribute to the notion that good-quality disclosure in each sustainability dimension should enhance [an organisation]'s legitimacy with groups of stakeholders (social, economic and environmental audiences) in meeting their specific needs and regulatory and normative expectations" (Ching & Gerab, 2017, p. 100). This notion is motivated by the credence that disclosing sustainability information would help reinforce stakeholders' trust (Ching & Gerab, 2017).

Further to that, the involvement of assurance providers is largely perceived to enhance the credibility of disclosures provided. Based on the above arguments, the research examined whether stakeholders believed that the same level of importance, in terms of quality of disclosure, is accorded to all key organisational stakeholders through the following hypotheses:

H2: An integrated report is equally useful for the decision-making needs of all stakeholders

H3: The verification of integrated reports by external assurance providers is positively associated with the completeness and credibility of the reports.

RQ2: **Is there a correlation between the quality of information contained in the IR and the performance of an organisation**?

In order to assess whether the findings on the economic consequences of CSR performance and the reporting thereof were equally applicable to the sustainability disclosures provided in the integrated the report, the research assessed if:

H4: Authentic non-financial disclosures following the <IR> framework are positively associated with improved organisational financial performance.

Chapter 4 Research Methodology and Design

4.1 Introduction

In Chapter 3, the two research questions that arose from the literature review undertaken were presented. A discussion of the research methodology and design employed to test these research questions and the underlying hypotheses has been detailed in this chapter along with a justification of the appropriateness of the specified method.

4.2 Research design

The aim of this study was to examine whether integrated reporting contributed to value creation firstly to stakeholders in regards to the extent to which it provides useful information for their decision-making as well as to the organisation through the overall improvement of its performance. To this end, a quantitative research method was applied in order to collect and analyse quantitative data on variables in order to establish the association or relationship between quantified variables (Martínez-Ferrero & García-Sánchez, 2017; Saunders & Lewis, 2012). Creswell (2012, p. 13) stated that "[i]n quantitative research, the investigator identifies a research problem based on trends in the field or on the need to explain why something occurs," it is for reason that it was deemed appropriate to try and explain why sustainability reporting is subject to much criticism and the potential for integrated reporting to change this.

In listing some of the advantages of a quantitative research method, Martinez-Ferrero and Garcia-Sanchez (2017) highlighted the use of statistical methods in the analysis of data thus enabling the use of statistical inference procedures to generalise the findings from a sample to a defined population. In addition, the authors indicated that quantitative research "performs pervasive and controlled measurement, is objective and observes causal relationships and the testing of hypothesis" (Martínez-Ferrero & García-Sánchez, 2017, p. 107), further supporting its relevance for this particular study which relied on results from a sample as discussed in more detail below. Through quantitative research, mathematical models were applied to predict relationships that could establish, develop, strengthen and review the existing theory (Martínez-Ferrero & García-Sánchez, 2017).

4.2.1 Choice of methodology

4.2.1.1. Philosophy

The term research philosophy refers to “the development of knowledge as well as the nature of that knowledge” (Saunders, Lewis, & Thornhill, 2009, p. 113). The nature of the research question, which, sought to examine whether integrated reporting was perceived to create value for both stakeholders and the organisation itself, pointed it to it being a pragmatism research philosophy. This is because this particular philosophy “argues that the most important determent of the research philosophy adopted are the research questions and objectives” (Saunders & Lewis, 2012, p. 106). The objectives for this research specifically were centred on whether applying the <IR> framework was seen as enhancing the authenticity and credibility of information disclosed thereby enabling stakeholders to rely on integrated reports when making decisions and by extension whether that in turn improved organisational performance.

4.2.1.2. Approach

In exploring the aspects of business accountability reporting that influence stakeholders’ perception of its usefulness, a deductive approach was deemed suitable. This approach entailed testing the theoretical propositions by using a research strategy specifically designed for the purpose of its testing (Saunders & Lewis, 2012). The deductive research process is one that relies on translating concepts into indicators that are observable, recordable and measurable in some objective way (Kelemen & Rumens, 2008).

4.2.1.3. Strategy, choice and time horizon

Saunders and Lewis (2012) stated that the choice of strategy should be guided by the research question, the researcher’s objective, the extent of the researcher’s knowledge, the amount of time and other resources available as well as the researcher’s own philosophical leanings. To address the two research questions, a two-phased strategy was followed. For the first research question, a survey was considered most appropriate. This was because it entailed collecting data from a large population on a structured basis (Saunders & Lewis, 2012) and sought to answer perception-based questions. From a time horizon perspective, as this research was based on data collected at a point in time through a survey, the aspect of the research lended itself to a cross-sectional study (Saunders & Lewis, 2012).

The second research question was addressed through archival research because it involved the use of secondary data collected from organisational integrated reports, as well as publically available index measures. As this research was based on secondary data, it allowed for the data collected over a period of time to form the basis of the study, therefore making this element of the study longitudinal (Saunders & Lewis, 2012).

The remaining subsections will be discussed per research strategy as outlined above.

4.2.2 Research question one

4.2.2.1. Population

Saunders and Lewis (2012, p. 132) define a population as "a complete set of group members." Because the aim of the research was to establish the aspects of business accountability reporting that influenced stakeholders' perception of its usefulness for the making of decisions, the population was defined as all stakeholders, both local and international, of organisations that prepare integrated reports. These are any individuals and/or organisations that affect or are affected by the operations of organisations that prepare integrated reports. The <IR> framework lists "employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers" (The International Integrated Reporting Council, 2013, p. 7) as some examples of stakeholders.

4.2.2.2. Unit of analysis

Yin (2016) highlighted that defining the unit of analysis would assist in organising the data collection for the study. For the purpose of this research, the unit of analysis was determined to be stakeholders of JSE listed entities as these are the only organisations in South Africa that are required to prepare integrated reports.

4.2.2.3. Sampling method and size

The wide array of organisations and industries that exist within the national and international context made it impractical to collect data from the entire population. For this reason, a sample was used in this research. A sample is a representative of a population and can be selected through probability sampling or non-probability sampling techniques. To conduct probability sampling, i.e. a sampling technique "for selecting a

sample at random from a complete list of the population" (Saunders & Lewis, 2012, p. 133), the complete list of the population would be required, known as the sampling frame. This complete list presented a limitation, as not all organisational stakeholders could be identified. For this reason, non-probability sampling was applied.

Of the available techniques within non-probability sampling, a combination of snowball and purposive sampling was deemed most appropriate as it enabled the researcher to apply judgement in selecting the sample members on the basis of possible reasons and premises (Saunders & Lewis, 2012), while also enabling a greater reach through the snowball technique. For this research specifically, the composition of the sample was investors, employees and customers of organisations listed on the JSE's Banks portfolio. The banking sector was deemed most appropriate as a large number of the population are in some form a stakeholder of these organisations, mainly customers. In addition, from an employee perspective, it allowed access to a wider scope of financially literate individuals than most sectors. The use of social media platforms and referrals by colleagues within the MBA cohort and this researcher's own professional network was employed in order to reach the target population group.

4.2.2.4. Measurement instrument

In performing this study, a questionnaire was deemed to be the most appropriate measurement instrument. This is in line with prior research that assessed perception as well as user needs and requirements (J. Cohen & Holder-webb, 2011; Kamala, Wingard, & Cronje, 2016; Villiers & Staden, 2010). The questionnaire utilised in the Kamala et al. (2016) study looking at Users' Corporate Environmental Needs, was used as a base in preparing the questionnaire to apply to this research. This was based on the fact that similar to this study, the authors sought to understand the need for corporate environmental information and whether users found this information useful for their decision-making (Kamala et al., 2016).

As the type of reporting information being assessed in this research, i.e. integrated report disclosures, differs to that of the authors cited above, the questionnaire was adjusted to incorporate the guiding principles and content elements defined in the <IR> framework. Further to that, only certain sections of the Kamala et al. (2016) questionnaire were deemed necessary for this research as described below:

Section A: **Demographic information** solicited information regarding the gender, age group, highest qualification level and stakeholder type. The most important aspect of this section related to the stakeholder types as it allowed the researcher to sort responses by the different criteria and establish which stakeholder needs were or were not met. Educational levels also provided an opportunity to establish if these criteria played a role in some of the decisions made, especially at a customer level.

Section B: Stakeholder information needs used a 5 point likert scale to establish the type of information organisational stakeholders considered most/least important for their decision-making purposes. It is this section of Kamala et al. (2016)'s questionnaire that was amended to incorporate the <IR> framework content elements and guiding principles.

Section C: **The extent to which integrated reports are read and how they are used** sought to ascertain how stakeholders used integrated reports and whether they considered them useful for decision-making through the use of a 5 point likert scale.

4.2.2.4.i. Pilot test

In line with previous studies that made use of questionnaires (Cheng, Green, & Ko, 2015; J. Cohen & Holder-webb, 2011; Kamala et al., 2016), prior to its distribution a pilot test was conducted in order to assess the validity and reliability of the questions as well as to ensure that any potential ambiguities in the questions were addressed. To achieve this, the questionnaire was shared with five accounting professionals and academics for assessment and review. At this point of the process, the questionnaire, still in its paper format, was manually distributed and discussed face to face with each respondent.

The feedback received indicated that the questionnaire was fairly long and would run the risk of causing respondents a level of fatigue thus compromising the quality of responses. To this end, two sections of the questionnaire were removed. The first, seeking to explicitly establish the users' satisfaction with the quality of reports was noted to be somewhat repetitive of question 7 of the questionnaire while the second asking users to rank the importance of the integrated report in relation to other forms of reporting was seen as irrelevant as the spirit of the <IR> framework is to integrate all these reports thus not implying that anyone is superior to the other.

Additionally an open-ended question included in question 6 was also removed on the basis that it was found to be confusing. Finally, to aid in making the survey as easy to understand for all users as possible, accounting jargon was simplified as best as possible. No further changes were effected.

4.2.2.5. Data gathering process

The questionnaire discussed above was compiled on Google forms and distributed electronically through a link that was shared across social media platforms and email. The use of google forms allowed respondents to complete the questionnaire online and facilitated easier collection of their responses. Further to that, this platform enabled snowball sampling, as respondents were then able to share the questionnaire link with others.

4.2.2.6. Analysis approach

As the nature of this research was to identify the aspects of business accountability that influenced stakeholders' perception of its usefulness in guiding decision-making, several statistical techniques were applied through the use of the statistical tool SPSS to test the hypotheses discussed in chapter 3. Correlation tests were applied in order to determine the existence of relationships between the variables identified in the research project, e.g. the <IR> framework and perception of its ability to enhance decision-making usefulness. In addition, a regression analysis was applied, which as explained by Martínez-Ferrero and García-Sánchez (2017, p. 107), "involves studying the relationship between a set of independent variables or predictors [business accountability as reflected in the integrated report] and a dependent variable or response variable [the perceived decision-usefulness of the disclosures by stakeholders]". This, the authors contended, aided investigating whether there was an association between the variables by testing the hypothesis of statistical independence; studying the strength of the association by the correlation coefficient; and examining the form of the relationship having predicted the value of a variable from another (Martínez-Ferrero & García-Sánchez, 2017).

Martínez-Ferrero and García-Sánchez, (2017) indicate that to analyse the relationships proposed in a study, regression and prediction techniques may offer new insight on patterns and relationships that have not been previously considered. For this research,

in particular, this entailed gaining insight on the effects of integrated reporting and the verification thereof in ensuring that the information reported is perceived as being complete, credible and of the appropriate quality to enable appropriate decision making for all organisational stakeholders.

Responses to the Likert scale questions, referred to as ordinal data due these having an implied ranking (Wenger, 2016), were analysed by means of both parametric and non-parametric tests. These tests included the ANOVA, Pearson's Correlation Coefficient, Spearman rho and Kendall's tau_b tests to assess mean differences and correlation.

4.2.2.7. Limitations

The following limitations on the research design were noted:

- distribution of the questionnaire electronically, limited the access to other potential respondents especially in relation to customers;
- the distribution to employees within the financial services sector created the risk that respondents to the questionnaire may have been limited to those with a particular interest in the subject matter and not necessarily a broad spectrum of respondents (Villiers & Staden, 2010);
- the choice of a questionnaire hampered the ability of the researcher to seek clarification for ambiguous answers, as there was no opportunity to probe further.

4.2.3 Research question two

4.2.3.1. Population

The second research question intended to establish if authentic disclosures made in Integrated Reports resulted in improved performance by the organisation. Consequently, the population in this case was all organisations that prepared Integrated Reports.

4.2.3.2. Unit of analysis

For the purpose of the second research question, the unit of analysis was determined to be the performance (both financial and non-financial) of organisations that prepare integrated reports.

4.2.3.3. *Sampling method and size*

As already indicated for research question one, the wide array of organisations and industries that exist within the national and international context makes it impractical to collect data from the entire population. Therefore, for similar reasons, non-probability sampling was applied.

Purposive sampling remained appropriate for this research question. In this case, the composition of the sample was the integrated reports of the top four (by market capitalisation) JSE listed banks available for the most recent five consecutive years. The choice of banks was seen as a means to ensure more consistency and comparability between findings in the primary research, as it narrowed the focus on the financial services sector.

4.2.3.4. *Measurement instrument*

As this aspect of the research was based on secondary data, a coding manual was developed to enable the organisation of qualitative data into ordinal data. More precisely, data contained in the EY Excellence in Integrated Reporting Awards was coded in such a manner that the rankings allocated to each Organisation in the sample formed the independent variables as reflected in Table 4.1..

Table 4.1: EY Excellence in integrated reporting award rankings coding manual

Ranking	Description	Code
Excellent	"Excellent" and "Good" are awarded to entities that progressively achieve a higher level of adherence to the spirit of integrated reporting	3
Good		2
Average	Entities that have taken a “business-as-usual” approach and have produced reports that include some elements of what is required in an integrated report, but have not achieved ‘a holistic’ and integrated representation of the company’s performance in terms of both its finance and sustainability.”	1
Progress to be made	Progress still to be made” does not necessarily imply that the entity has produced a poor integrated report. It does however imply that the entity does not appear to have taken as significant steps as would be expected of a top company in moving towards producing an integrated report that adheres to the current thinking of the form and content of such a report	0

4.2.3.5. Data gathering process

As indicated above, in conducting this research, secondary data was utilised. This represents data that was originally collected for another purpose (Saunders & Lewis, 2012). Specifically, Cost of Debt and Tobin's Q data was extracted from McGregor BFA's research domain platform. All data obtained from online platforms were downloaded onto either excel or adobe PDF (and transposed into excel) as per the limitations of each website.

In line with Price and Sun (2017) this study made use of Tobin's q as a measure of performance outcome measure on the basis of its ability to reflect the value of long-term and intangible investments. These authors stated that "Tobin's q is an appropriate financial performance measure because it incorporates the benefits and potential costs of CSP and combines capital market and accounting-based data" (Price & Sun, 2017, p. 84).

Quality of integrated report rankings were obtained from the annual EY Excellence in Integrated Reporting Awards report downloaded from the EY website.

4.2.3.6. Analysis approach

Content analysis formed the basis of the analysis approach to this part of the study. Krippendorff (2013) defines content analysis as "a research technique for making replicable and valid inferences from text to the context of their use." Similar to this definition and more specifically linked to this research is the definition offered by Duriau, Reger, and Pfarrer (2007, p. 6) who refer to it as "any methodological measurement applied to text (or other symbolic material) for social science purposes." An important element of content analysis is the ability of the analysis to be replicated (Duriau et al., 2007; Krippendorff, 2013).

Martínez-Ferrero and García-Sánchez, (2017) indicate that to analyse the relationships proposed in a study, regression and prediction techniques may offer new insight on patterns and relationships that have not been previously considered. For this aspect of the research in particular this involved insight on the effects of high quality integrated reports on the performance of an organisation.

In order to determine correlation between quality and organisational performance, a Kendall's tau_b test was performed. A trend analysis was also applied to the findings in order to normalise the data for any anomalies that may affect performance.

4.2.3.7. Limitations

Given that the research was applied to organisations within the same industry, industry factors may result in similar information being reported and therefore presenting a limited view of the performance of other preparers of integrated reports.

4.3 Conclusion

In this chapter the research methodology, being a quantitative pragmatic study was outlined. Two strategies were identified, the first being a survey to determined stakeholder perception of the decision-making usefulness of disclosures made following the <IR> framework, as well as content analysis of secondary data contained in selected integrated reports in an attempt to establish if the <IR> framework contributed to improved organisational performance. The study focused on the financial services industry, with the first phase looking specifically at a sample of investors, employees and customers as the key stakeholders within this sector. The second phase, being a longitudinal study, entailed sampling five years' worth of integrated reports of the big four banks listed on the JSE and analysing how their performance has changed, if at all over the period.

Chapter 5 Results

5.1 Introduction

In this chapter, the results of both the survey and content analysis are discussed under sections 5.2 and 5.3 respectively. For each section, context is provided through a description of the sample. This is then followed by the results of various statistical analysis undertaken, as outlined in the previous chapter.

5.2 Research question one

The overarching objective of this research question was to establish if organisational stakeholders perceive the information contained in IR as authentic and therefore useful for decision-making purposes. In order to respond to this research question the questions contained in the survey formulated to test the three hypotheses were grouped into constructs and tested accordingly.

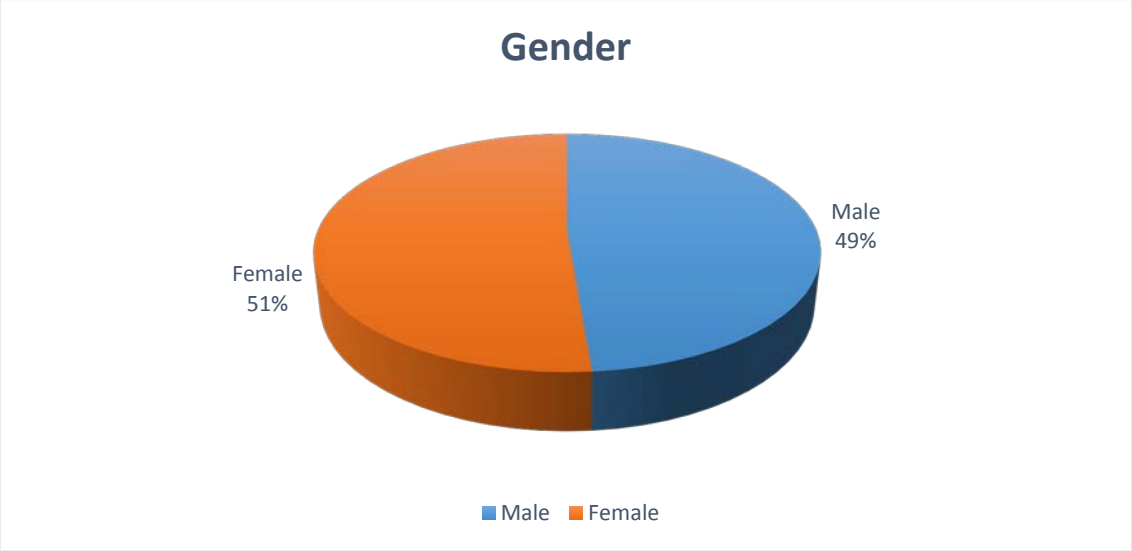
5.2.1 Description of the sample

A total of 115 responses to the survey were received. As this study employed a snowball sampling technique and access to the survey was facilitated through an online link that could be shared from one individual to the next, it was not possible to determine a response rate.

5.2.1.1. Sample demographic composition

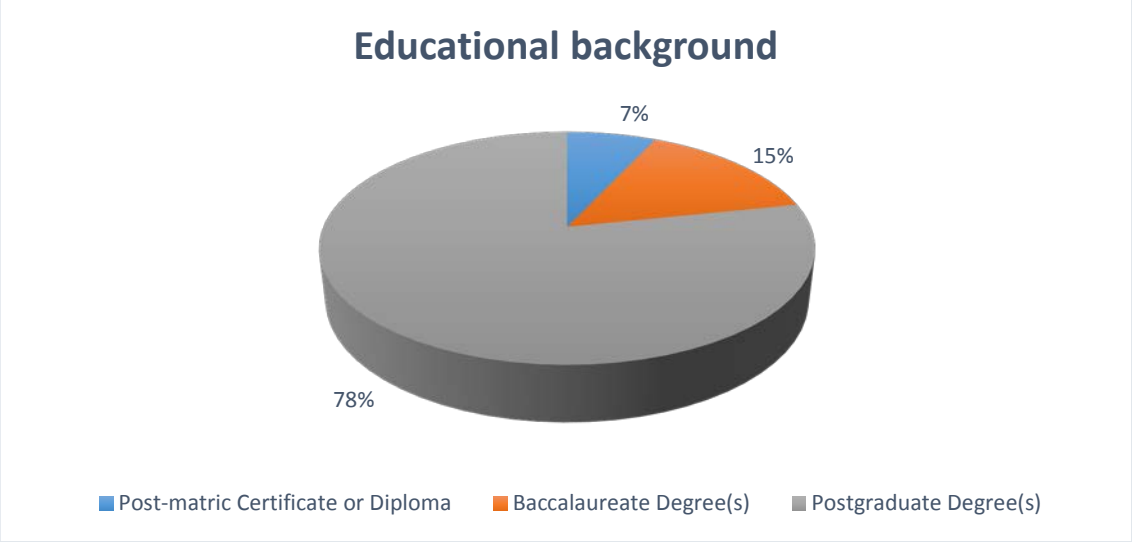
Figure 5.1 reveals that females made up a marginally higher proportion of the respondents of the survey in relation to their male counterparts, with each gender group represented at 51.3% and 48.7% respectively.

Figure 5.1: Respondents by gender



As depicted in figure 5.2 below, the majority of the respondents held either post-graduate or baccalaureate degree, collectively at 93%, with the remaining 7% being attributed to post-matric certificate or diploma holders.

Figure 5.2: Respondents educational background



In identifying the stakeholder group to which the respondents belonged, figure 5.3 reflects that the respondents were largely from the customer and employee stakeholder groups with 65 respondents identifying themselves as customers, 35 as employees, 11 as investors and 4 as academics.

Figure 5.3: Respondents stakeholder groupings

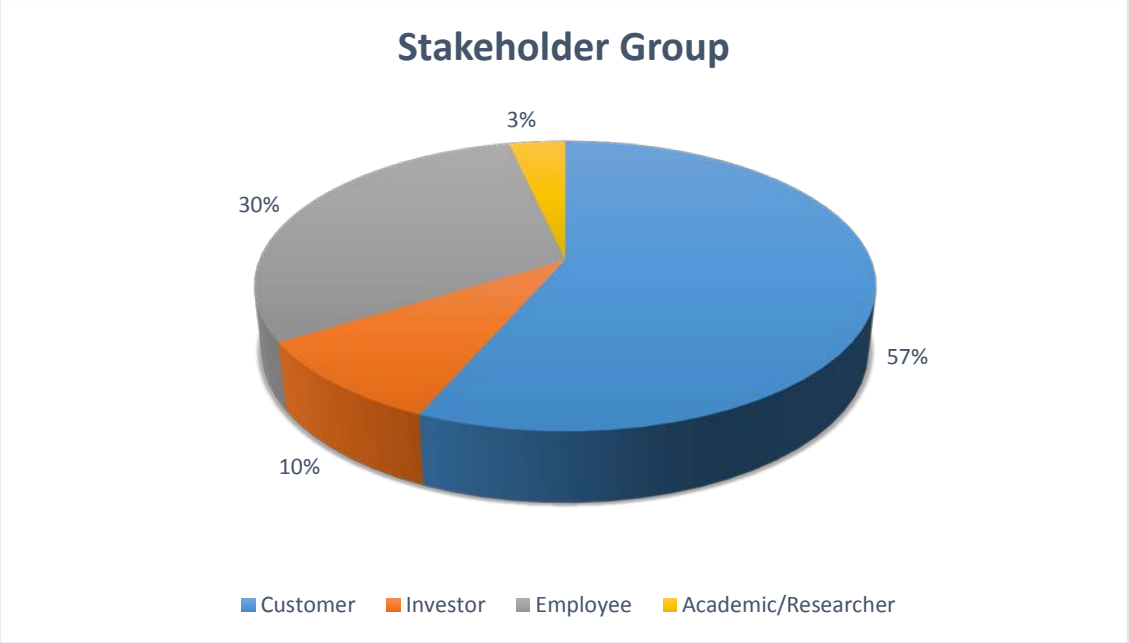
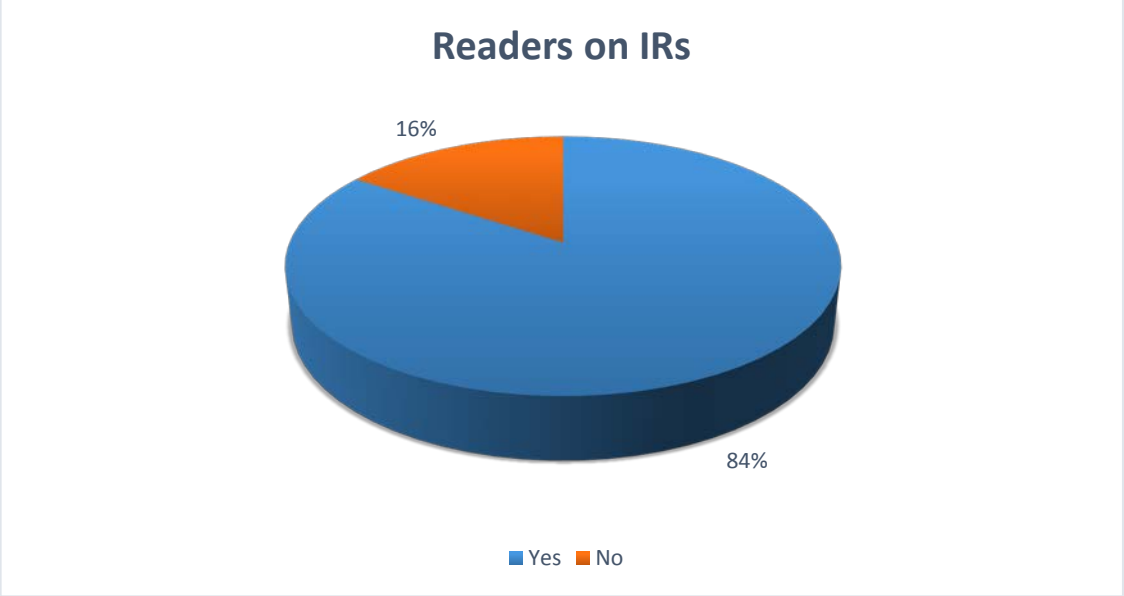


Figure 5.4 below illustrates that, of the 115 respondents, 97 confirmed that they had read integrated reports in the past 12 months thus providing a pool of 84% of the respondents as eligible to complete the remainder of the survey questions.

Figure 5.4: Respondents who read integrated reports in the last 12 months



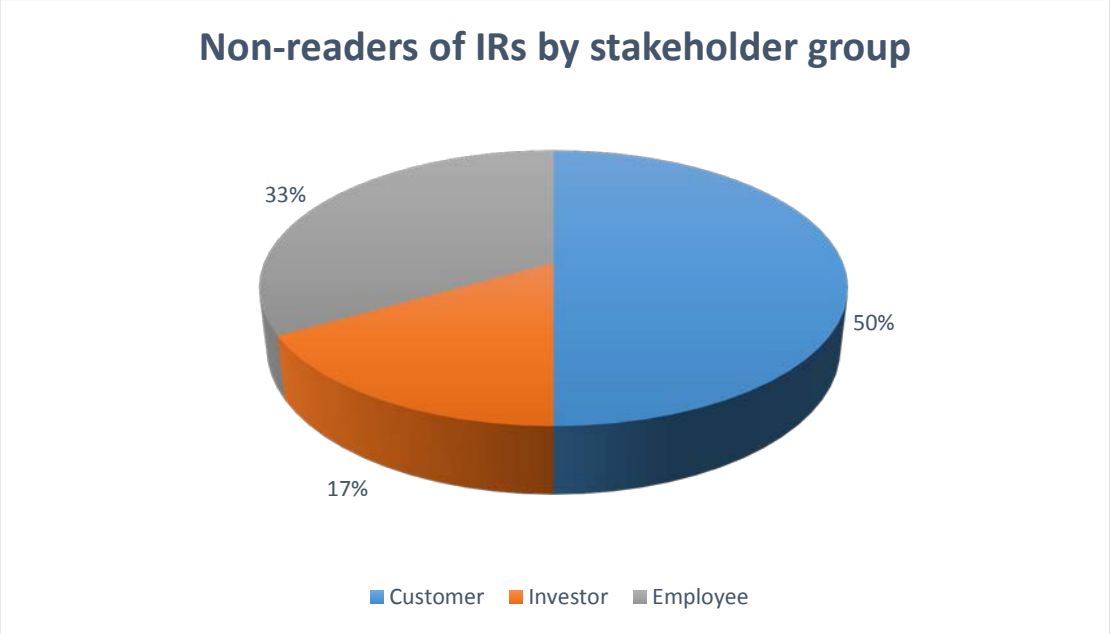
Citing their reasons for not reading integrated reports, 40% of the 18 respondents indicated that there were other reasons outside of the options provided for not reading integrated reports, while 28% (5) indicated that they considered the information contained in integrated reports as not being relevant. As per table 5.1 below, a deficiency in understandability, timeliness, comparability and verifiability accounted for the remaining reasons for not reading these reports.

Table 5.1: Reasons for not reading integrated reports

Reasons for not reading integrated reports	Frequency	Valid Percent
The information contained in integrated reports is not relevant	5	27.8
The information contained in integrated reports is not understandable	2	11.1
The information contained in integrated reports is not timely	2	11.1
The information contained in integrated reports is not comparable	1	5.6
The information contained in integrated reports is not verifiable	1	5.6
Other	7	38.9
Total	18	100.0

From a stakeholder group perspective, 50% of those that indicated that they had not read integrated reports in the past 12 months identified themselves as customers of the banking sector, followed by employees at 33%. Investors accounted for the remaining 17%. As can be inferred from figure 5.5 all the respondents within the academic/researcher stakeholder group had read integrated reports in the past 12 months.

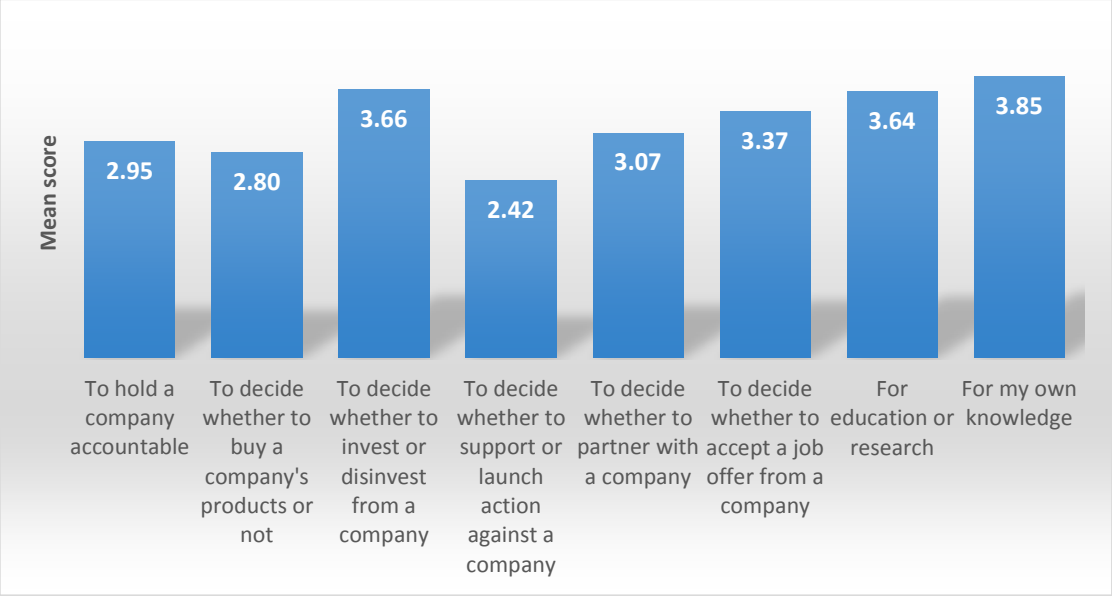
Figure 5.5: Non-readers of integrated reports by stakeholder group



5.2.1.2. Uses and methods of reading integrated reports

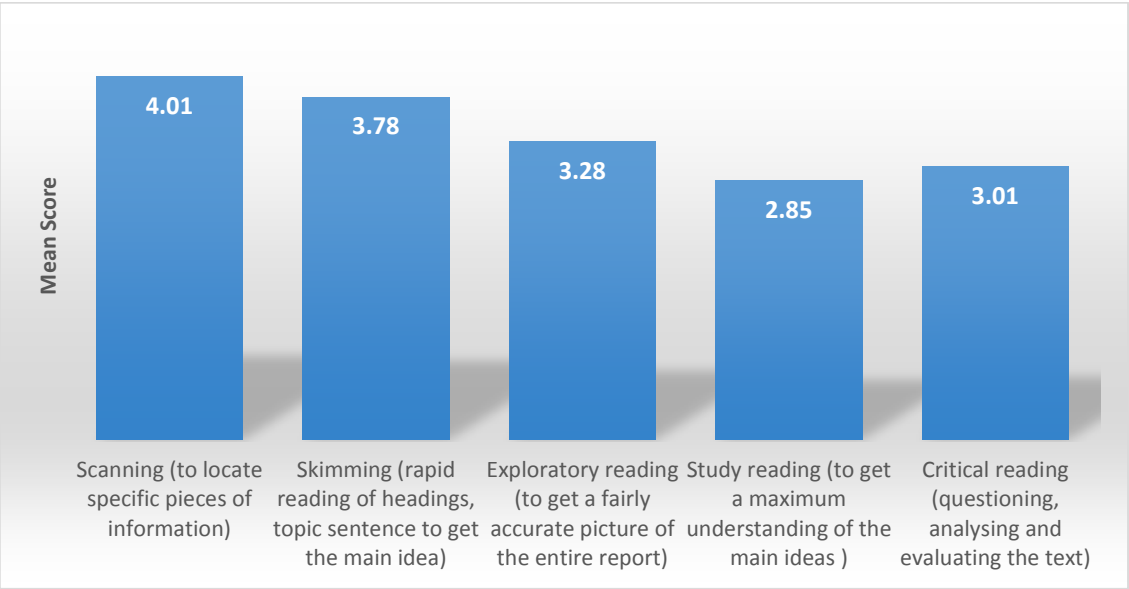
In an effort to further understand the stakeholder decisions that integrated reports support, respondents to the survey we requested to indicate the extent to which they agree with statements indicating why they read integrated reports. Figure 5.6 reveals that for the most part, respondents use integrated reports for their own knowledge as well as to make investment decisions, with each question resulting in mean scores of 3.85 and 3.66 respectively. Conversely, the respondents disagreed that they used integrated reports as a means to gain information to base action decisions, mean score for this being only 2.42.

Figure 5.6: Reasons for which stakeholders read integrated reports



In response to which reading techniques they employ when reading integrated reports, figure 5. 7 reflects that respondents indicated that they often scan through the reports to locate specific pieces of information (mean score 4.01) and skim through them by reading headings and topic sentences to get the main idea (mean score 3.78). To a slightly lesser degree, respondents further indicated that they sometimes employed critical reading and study reading to integrated reports (mean score 3.01).

Figure 5.7: The reading techniques applied to integrated reports



5.2.2 Validity and reliability

Saunders and Lewis, (2012, p. 127) define validity as “the extent to which data collection method or methods accurately measure what they are intended to measure and the research findings are really what they are about what they profess to be about.” Describing reliability, these authors stated that it refers to “the extent to which data collection methods and analysis will produce consistent findings” (Saunders & Lewis, 2012, p. 128). Therefore, in order to ensure that the questionnaire applied in this study accurately measured stakeholder perception of the decision-making usefulness of integrated reports and provided findings addressing this as well as the consistency of the findings, a Pearson’s Correlation test was performed to test validity while a Cronbach’s Alpha model was applied to assess reliability.

This was especially most relevant in this study as, due to the infancy of the <IR> framework, the research questions and hypothesis were derived by analogy from literature review on other forms of accountability reporting. Furthermore, although the questionnaire used had been previously used in a different study, the fact that it was adapted to address the <IR> framework content elements and guidelines made it critical to ensure that it was not compromised.

5.2.2.1. Validity

As indicated above, testing validity was undertaken through a Pearson’s Correlation model, which was applied to question seven of the survey question for each identified construct and attribute of authentic reporting. These constructs and attributes, derived from the accounting framework on decision-making usefulness, are provided in Appendix C and are matched to the corresponding questions for ease of reference.

The results of the validity test reflected that for each question in the identified constructs and attributes, the item and item-total score had a significant correlation, i.e. a p-value of less than 0.05, thus proving comfort that the items were all valid. One exception, however, was noted in regards to the correlation between the disclosure of both negative and positive aspects of company operations in a balanced manner and the demonstration of top management’s commitment to social and environmental issues reflecting a correlation of only 0.166, which is very low, thus showing little or no relationship between these items. Detailed results are provided in Appendix D.

5.2.2.2. Reliability

Similar to the test of validity, the Cronbach's Alpha model was applied on a construct and attribute level to test reliability. As reflected in table 5.2 below, for each of the constructs and attributes, the resulting Cronbach's Alpha where 0.7 and above which is considered good (Field, 2009) thereby indicating that the grouping of the questions to form the constructs and attributes was suitable.

Table 5.2: Reliability statistics

Reliability Statistics			
Construct	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Relevance	0.85	0.85	7
Reliability	0.82	0.83	5
Understand-ability	0.70	0.70	4
Comparability	0.78	0.78	4
Attribute			
Completeness	0.80	0.80	5
Quality	0.90	0.90	11
Credibility	0.73	0.73	4

5.2.2.3. Factor analysis

In addition to the above tests, an exploratory factor analysis was also performed in order to determine if the identified variables could be reduced into smaller sets. To confirm that a factor analysis was appropriate, the Kaiser-Meyer-Olkin (KMO) measure was determined. Explaining the interpretation of a KMO, Field (2009, p. 647) stated that "a value close to 1 indicates that patterns of correlations are relatively compact and so factor analysis should yield distinct and reliable factors." The author further highlighted that, "values between .5 and .7 are mediocre, values between .7 and .8 are good, values between .8 and .9 are great and values above .9 are superb" (Field, 2009, p. 647).

As evidenced in table 5.3 below, the resulting KMO for this study was above 0.8 thereby reflecting that factor analysis was appropriate. This finding is confirmed by the significant Bartlett's test of Sphericity, which indicated that the correlation between the items were significantly large for a principal component analysis (Field, 2009).

Table 5.3 KMO and Bartlett's test outputs

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.869
Bartlett's Test of Sphericity	Approx. Chi-Square	1179.161
	df	190
	Sig.	.000

5.2.3 Data transformation

Having confirmed its appropriateness, as detailed above, a factor analysis was performed whereby the individual questions forming the pre-identified constructs and attributes were factorised. This resulted in the original constructs and attributes being reduced to three and collapsed to form new constructs addressing three of the four characteristics that enhance the decision-making usefulness of information, through the identification of the highest loading factor for each item.

As relevance is one of the overarching attribute of decision-making usefulness of information, this researcher deemed it more appropriate to analyse the data one level lower, being at a characteristic level as these encompass relevance. Similarly, reliability is encompassed within faithful representation, which is again an attribute and therefore incorporates all the characteristics forming the new constructs. The overall marked loading for all questions to their particular constructs was 61%, therefore providing satisfaction that there was a reasonable correlation between the components and the theoretical constructs.

5.2.4 Statistical results

5.2.4.1. Descriptive statistics

Table 5.4 below reflects that the mean score for all the constructs, i.e. understandability, comparability and verifiability, were in the region of 4.1 indicating that for the most part, respondents considered the <IR> framework guiding principles and content elements as very important for decision-making.

Table 5.4 Mean score and standard deviation of all constructs

Descriptive Statistics									
	N	Min.	Max.	Mean	Std. Dev	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Understandable	102	2.14	5.00	4.2404	.65704	-.939	.239	.501	.474
Comparable	102	1.86	5.00	4.1074	.68657	-.934	.239	.945	.474
Verifiable	102	1.80	5.00	4.0877	.73799	-.970	.239	.967	.474

5.2.4.2. H1: the <IR> framework is positively associated with high quality information that is useful for decision-making.

This hypothesis aimed to probe whether there was a relationship between the <IR> framework and stakeholder perception of the usefulness of reports produced in adherence to the framework.

Having ascertained, as discussed above, that on average, respondents deemed the <IR> framework content elements and guiding principles to be very important, this researcher noted that the distribution of the sample data was negatively skewed for all variables (Table E1.1) thus necessitating the performance of non-parametric tests (i.e. those that does not assume normal distribution (Field, 2009)). Specifically, a Spearman's rho test was performed. Field (2009, p. 794) describes this test as "a standardized measure of the strength of relationship between two variables that does not rely on the assumptions of a parametric test."

The resulting output of the Spearman's rho, provided in Appendix E Table E1.2, reflect that there is a significant positive correlation between the <IR> framework, as described through the constructs of understandability, comparability and verifiability, and the perception of usefulness of integrated reports by stakeholders.

In regards to the timeliness characteristic of decision-making usefulness, on average customer, investors and employees all rated the production of integrated reports on an annual basis more important than other options being more than once a year or on a real-time basis (Table E1.3). The academic/researcher stakeholder group however indicated a preference for the reports to be produced on a real-time basis providing a

mean-score of 4.5 (very important – extremely important) for this question vs 3.75 (fairly important – very important) for annual production.

5.2.4.3. H2: An integrated report is equally useful for decision-making purposes of all stakeholders

The intention behind this hypothesis was to establish if the perceived decision-making usefulness of integrated reports differed among the different stakeholder groups.

In testing this hypothesis, the Analysis of Variation (ANOVA) statistical model was applied. This test aimed to gain an understanding of the difference between the means of the various stakeholder groups when assessing their perception of usefulness of integrated reports.

Descriptive statistics for usefulness

Table 5.5 reflects the mean score of usefulness of integrated reports for decision-making at 3.9 for the 83 respondents that completed this question (1 = Not useful at all, 2 = Not very useful, 3 = Neutral, 4 = Useful and 5 = Very useful). This therefore suggests that on average, respondents identified integrated reports as useful when considering their appropriateness in providing the relevant information they deemed necessary for decision-making purposes.

Table 5.5 Mean score and standard deviation of usefulness by stakeholder group

Stakeholder group	N	Mean	Std. Deviation	Std. Error
Customer	51	3.7843	.96569	.13522
Investor	8	4.3750	.74402	.26305
Employee	21	3.9524	.80475	.17561
Academic/Researcher	3	4.3333	.57735	.33333
Total	83	3.9036	.90546	.09939

From the above table, we are able to establish that the perception of usefulness of integrated reports is highest among the investor stakeholder group (4.38 ± 0.74) followed by the Academic/Researcher group (4.33 ± 0.58). The customer stakeholder group's perception of usefulness is the lowest (3.78 ± 0.97) with the employee stakeholder group being marginally higher than the customers (3.95 ± 0.80).

Analysis of variances (ANOVA)

Through the Levene's test (Appendix E: Table E2.1), it was noted that the p-value was not significant (0.802), indicating that there were equal variances and therefore, that the assumption of homogeneity of variances was not violated. Consequently, the Tukey post-hoc analysis was performed.

Table 5.6: ANOVA results for usefulness

ANOVA					
Usefulness					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.107	3	1.036	1.276	.288
Within Groups	64.121	79	.812		
Total	67.229	82			

The results of the ANOVA as reflected in table 5.6 above, indicated that there was no significant difference in the perception of usefulness between the various stakeholder groups (p-value = 0.288). This finding was confirmed by the Tukey post-hoc analysis, which found that the multiple comparison between all stakeholder groups yielded a p-value greater than 0.05 (Appendix E: Table E2.2).

5.2.4.4. H3: The verification of integrated reports by external assurance providers is positively associated with the credibility of the reports.

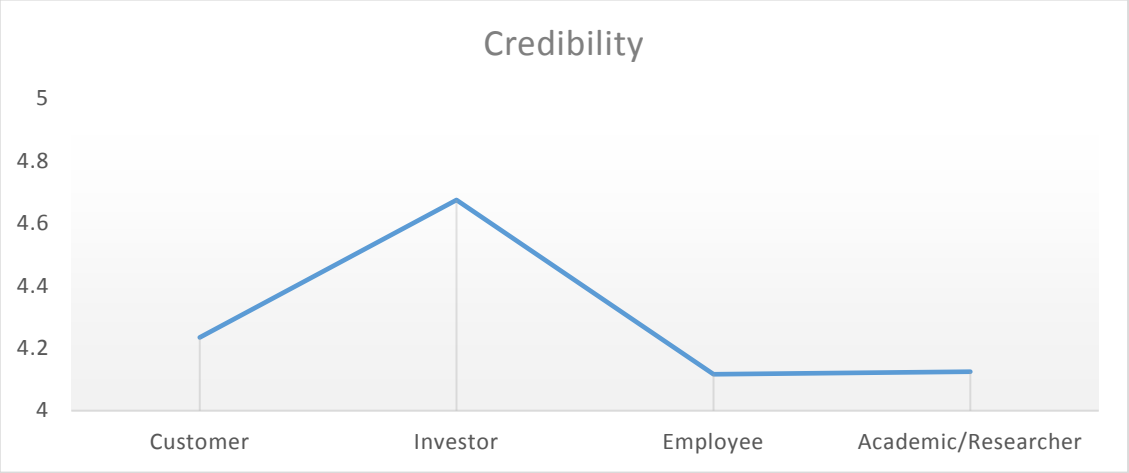
Through this hypothesis, the researcher sought to determine whether assurance of assurance reports was perceived to be an indicator of credibility of the reports. To this end, a test of correlation was deemed most appropriate.

Descriptive statistics for credibility of integrated reports

The overall mean-score for the credibility variable was 4.2 (Table E3.1) thereby indicating that by and large, stakeholders considered the <IR> framework guiding principles and content elements making up this variable as being very important for their decision making. Of the 115 respondents that participated in the survey, 102 responses were provided in respect of this variable.

As reflected in figure 5.8 below, the investor stakeholder group placed higher importance on the items within this variable than all other stakeholders. This is followed by the customer group, while no difference was noted between the employee and academic/ researcher groups, these reflecting a lower level of importance placed on these items.

Figure 5.8: Mean-score of the credibility variable per stakeholder group



Test of association

Prior to determining the relevant statistical test, it was necessary to determine the distribution of the credibility variable, which was found to be negatively skewed (-0.957) (Table E3.1). Based on this, the Spearman's rho test was performed.

The findings as provided on Table E3.2 indicated that there is a positive correlation between the inclusion of an assurance statement from an independent third party and the perception of credibility of the integrated reports by stakeholders at a 99% confidence interval.

Simple linear regression

Further to the above test, a simple linear regression was performed in order to determine if the inclusion of an assurance statement from an independent third party was a predictor of credibility. The model (Table E3.3) yielded an adjusted R-square of 0.429, reflecting that the data explained a 42.9% of the variances around the mean. Additionally, the credibility variable yielded a p-value of 0.000 (Table E3.4) indicating that the model was statistically significant and that an assurance statement was a significant predictor of credibility (Table E3.5).

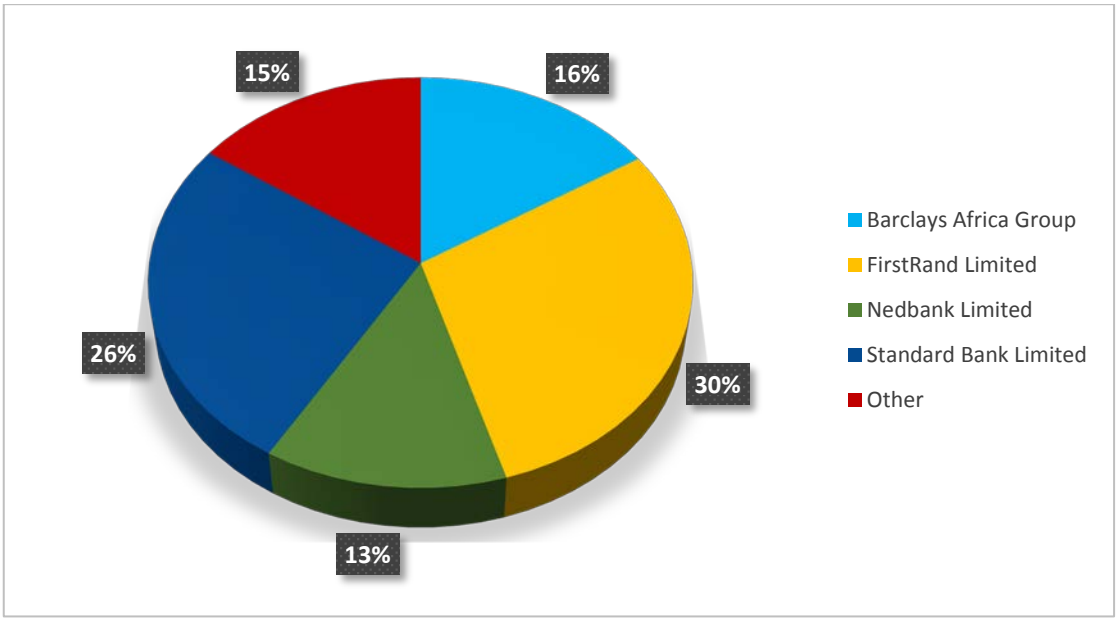
5.3 Research question two

This research question sought to establish whether high quality integrated reports that adhere to the spirit of the <IR> framework had a positive influence on the financial performance of the organisations preparing those reports. Presented in this sub-section, are the results of the archival research conducted and the analysis thereof.

5.3.1 Description of the sample

As indicated in the previous chapter, the criteria for the selection of organisations to form part of the sample for this part of the study were organisation within the Banks portfolio of the JSE as well as the market capitalisation of these. Using McGregor BFA's IRESS research domain platform, the market capitalisation of the nine constituents within this portfolio was obtained for years 2012 – 2016. Using this data, a five average was computed in order to determine which of the constituencies had the highest market capitalisation and should thus form the basis of the sample. The results, reflected on figure 5.9 below, indicated that FirstRand Limited (30%), Standard Bank Limited (26%), Barclays Africa Group (16%) and Nedbank Limited (13%) represented the desired sample and were thus selected as the foundation upon which the remainder of this study was conducted.

Figure 5.9: 5-year average market capitalisation of the nine constituencies within the Banks portfolio of the JSE



5.3.2 Quality of integrated report rankings

Due to the aim of this aspect of this study being to determine whether there is a correlation between the quality of integrated reports and organisational performance, the next phase of the project was to establish how industry experts ranked the integrated reports of the sampled organisations. To do this, reliance was placed on the annual rankings assigned to companies in the EY Excellence in Integrated Reporting Awards. These rankings are the result of a survey of the top 100 JSE listed companies performed by the College of Accounting at the University of Cape Town (EY, 2017). In describing the purpose of the survey, EY states that it aim is to encourage excellence in the quality of integrated reporting to investors and other stakeholders in South Africa's listed company sector (EY, 2017).

While theses accolades are awarded by a professional services provider that may be seen as lacking independent by virtue of their involvement in, at times, the preparation and assurance of these integrated reports, this researcher deemed that the threat of bias was eliminated as the actual survey was conducted by an independent party (the UCT College of accounting). As these awards are conferred annually in September in respect of integrated reports for financial years ending on or before 31 December the previous year, to analyse the rankings of the five year period for this study, i.e. 2012 – 2016, the award rankings for 2013 – 2017 were deemed most appropriate.

Table 5.7: EY Excellence in integrated reporting award rankings

Organisation	2017	2016	2015	2014	2013
Barclays Africa Group Limited	Excellent (6)	Excellent (10)	Excellent (3)	Excellent	Excellent
FirstRand Limited	Average	Good	Average	Good	Average
Nedbank Limited	Excellent (4*)	Excellent (8)	Excellent	Excellent	Excellent (8)
Standard Bank Group	Excellent (10)	Excellent	Excellent (7)	Excellent (2)	Excellent (3)

Numbers in brackets indicate top 10 ranking placements
** Reflects an honours award, which is given to those high quality integrated reports believed to have come closest to complying with all the requirements of the <IR> Framework*

5.3.3 Organisational performance

The next phase in this section of the research entailed obtaining data pertaining to the financial performance of the sample organisations. To this end, three commonly used financial measures were considered in line with the literature review conducted.

The cost of capital components, being cost of equity and cost of debt, were utilised in an attempt to determine whether high quality disclosures benefitted the organisations by reducing their cost of financing. Additionally, these measures were supplemented with the Tobin's Q financial measure, which is external and forward looking, providing further insight on market reaction, if any, to the EY rakings discussed above.

5.3.3.1. Cost of Equity

In determining the five-year cost of equity (CoE), data from McGregor BFA's IRESS research domain, which utilises the Capital Asset Pricing Model (CAPM), was obtained however, it was noted that for years 2012 – 2014, for three of the four banks, the beta value was stated at zero. As the beta is a measure of share price volatility this was seen as error, consequently, beta values were obtained from the ShareMagic database for all the sample banks for periods January 2012 – December 2016 and applied to the IRESS CAPM calculation to determine the cost of equity for the years from 2012 – 2016. The CAPM calculation utilised the R186 government bond rate as the risk free rate and applied a 6% market premium.

Figure 5.10 and 5.11 below provides a graphic representation of the results obtained. As can be seen in both graphs, the actual and average CoE for Barclays Africa Group has consistently been the highest from 2012, only being surpassed by both FirstRand and Nedbank in 2016. This has resulted in this bank reflecting a five-year average CoE of 13.64%, followed by FirstRand at 13.21%. On average, over the five-year period under observation, Nedbank has reflected the lowest CoE at 12.86%. The smoothing effect of the trendline included in figure 5.10 supports the finding that Nedbank does indeed have the lowest CoE while Barclays has the highest.

Figure 5.10 Sample organisations' 5-year average cost of equity

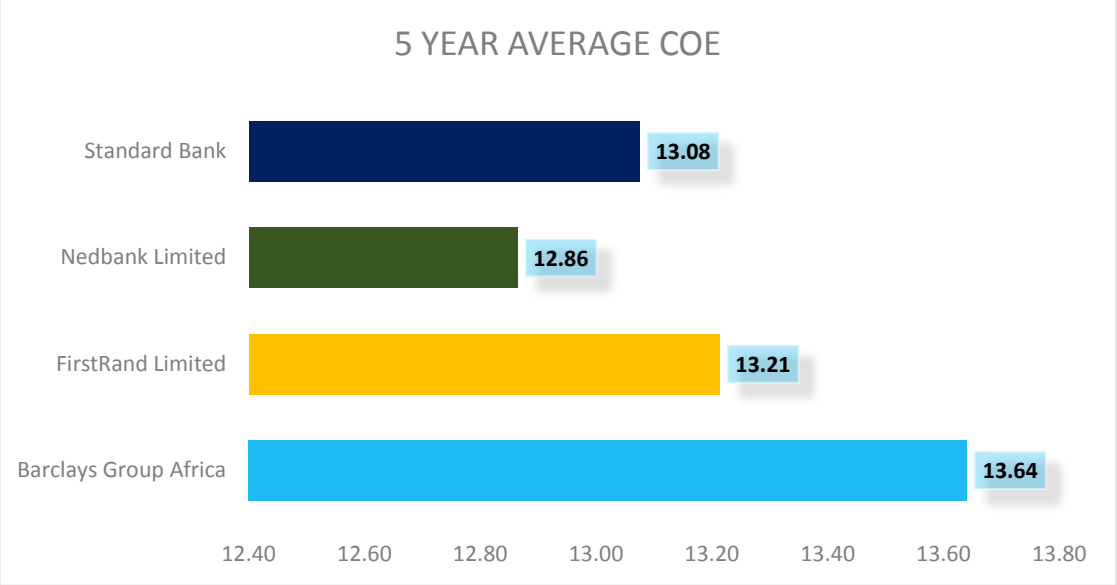
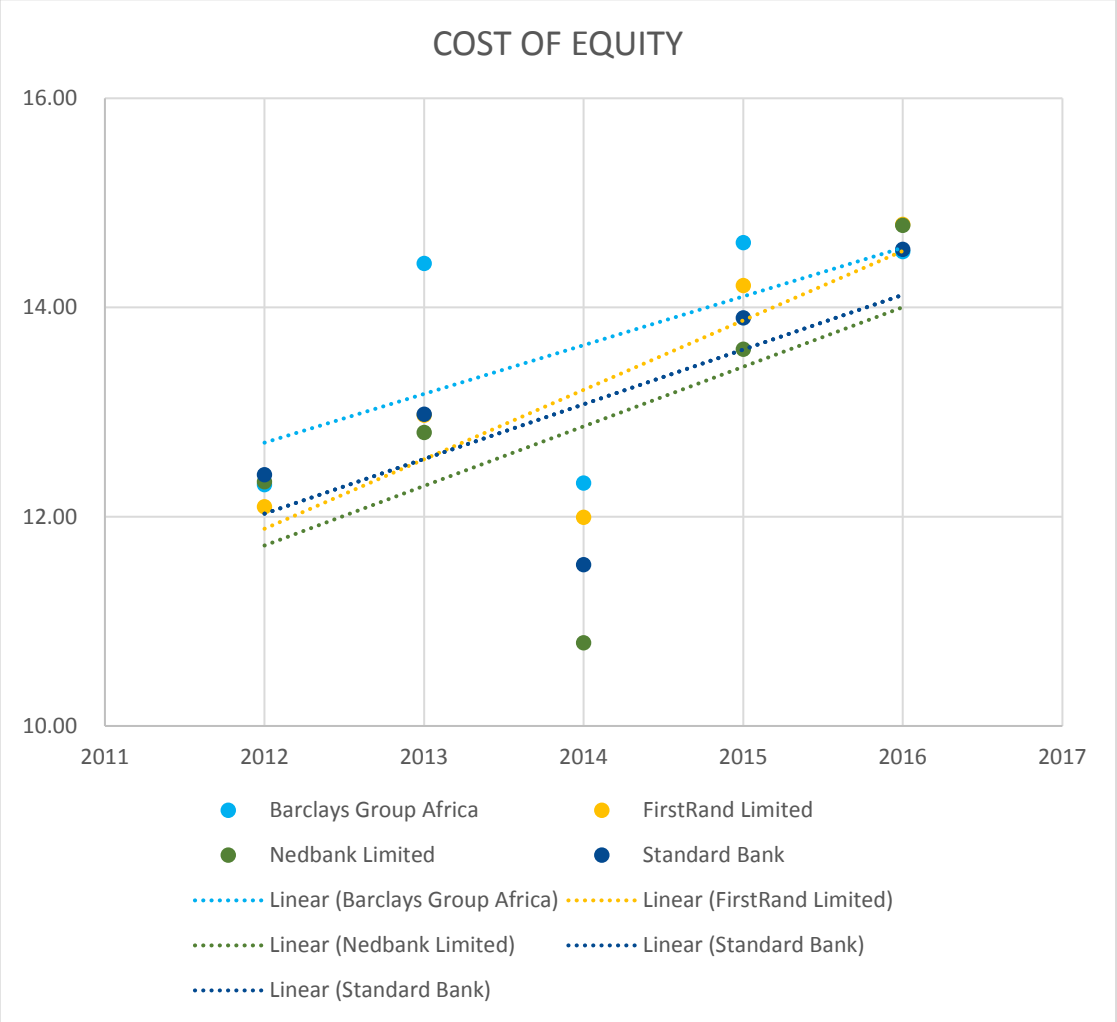


Figure 5.11 Sample organisations' cost of equity



In addition to the CAPM proxy for CoE, the research obtained the earnings per share (EPS) and price earnings (P/E) ratios for periods 2011 to 2016 for the sample banks from the IRESS research domain in order to utilise those figures to calculate the price earnings to growth ration (PEG). This was done as a reasonableness test as past research referred to in chapter 2 had used these (PEG and P/E) (Dhaliwal et al., 2014; Gao et al., 2016). The PEG was calculated as P/E ratio ÷ earnings growth rate with earnings growth rate being determined as (current year EPS ÷ prior year EPS) – 1. These figures are presented in Table E4.2.

5.3.3.2. Cost of Debt

Similar to CoE, data for the after-tax cost of debt (CoD) for the sample banks was obtained from the IRESS research domain and downloaded onto an excel spreadsheet. As no errors where identified with this data, it was utilised with no modifications.

The results obtained as per figures 5.12 and 5.13 below, revealed that over the five-year period from 2012 – 2016, on average all the sample banks have reflected an increase in their CoD with Nedbank reflecting the highest CoD and FirstRand being the lowest.

Figure 5.12 Sample organisations' 5 year average cost of debt

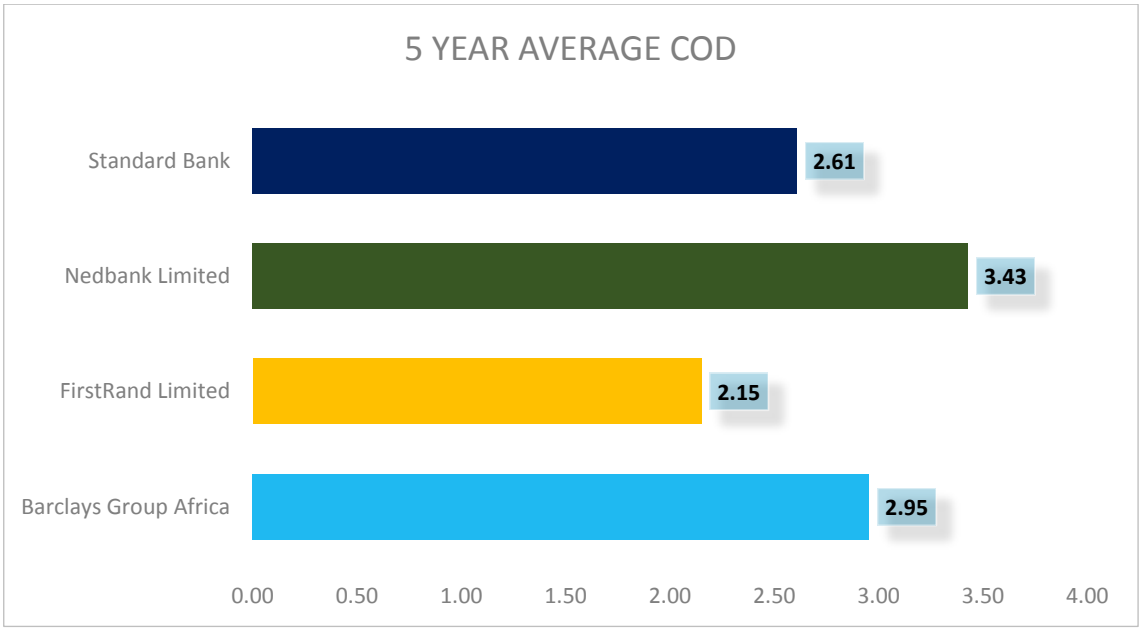
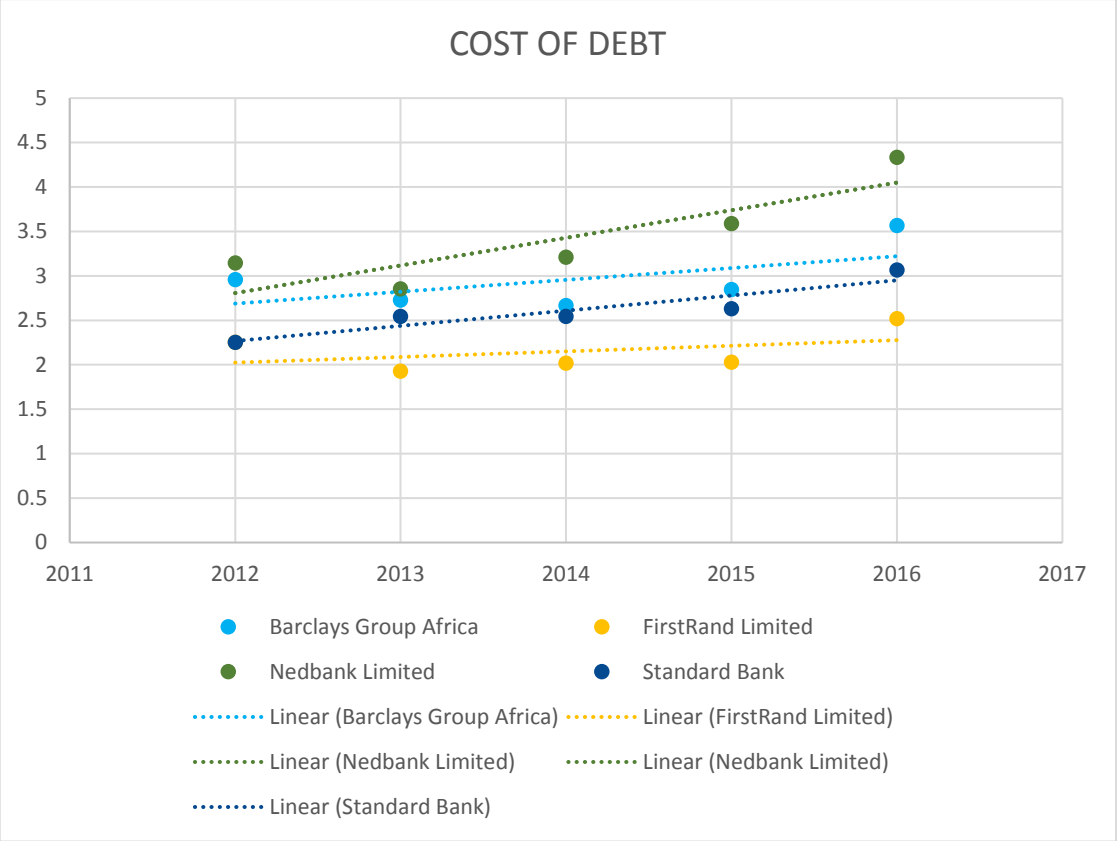


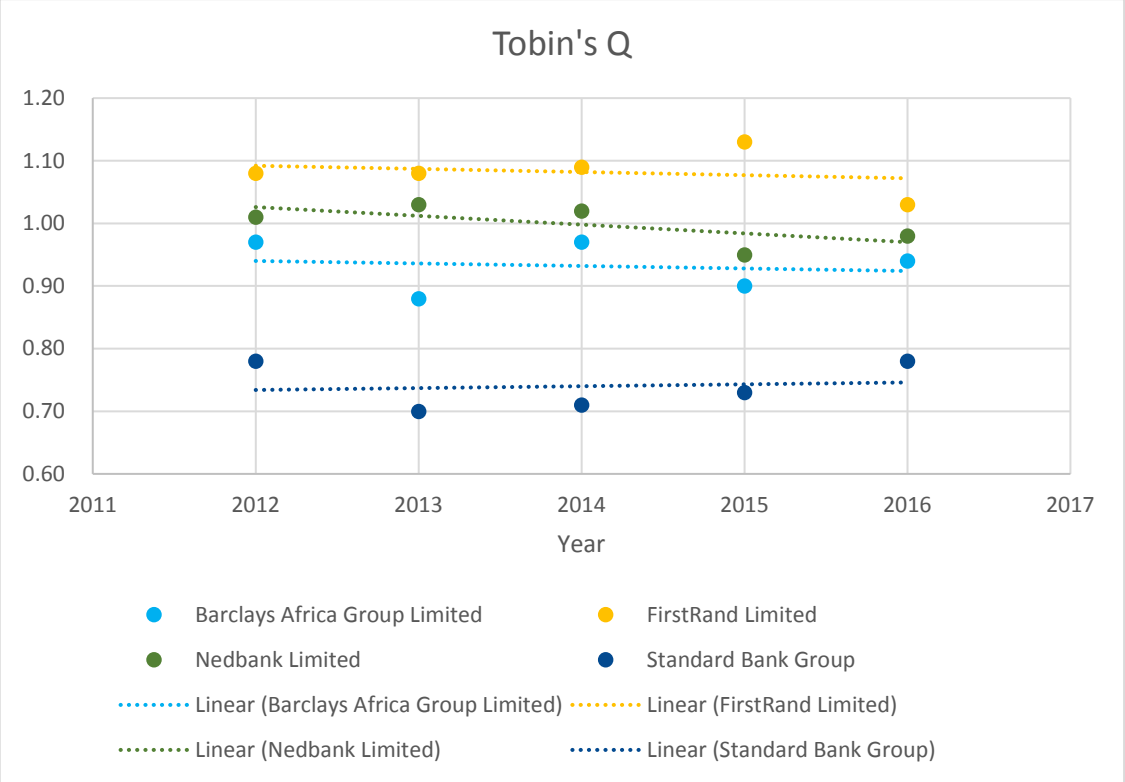
Figure 5.13: Sample organisations' cost of debt



5.3.3.3. Tobin's Q

Using data obtained from the IRESS research domain, the Tobin's Q values for each of the sample banks from years 2012 to 2016 were compared and presented graphically. As evidenced on figure 5.14, FirstRand's Tobin's Q has consistently been greater than 1, indicating that this bank has outperformed its competitors as the market appears to be overvaluing it in relation to its competitors.

Figure 5.14: Sample organisations' Tobin's q from 2012 - 2016



5.3.4 Inferential statistics

In order to observe the relationship between organisational performance, as measured through its cost of equity, cost of debt and Tobin's Q and quality of integrated reports, a correlation analysis was performed on the results of all four of the sample organisations using the performance measures from 2013 – 2016 and the rankings for the same period. This was considered most appropriate on the reasoning that although the rankings were performed based on prior period integrated reports (i.e. 2013 rankings based on 2012 integrated reports etc.) the market response, which informs performance, would occur in the year in which the rankings were released (therefore in the above example, the market would respond in 2013 to the rakings conferred on the 2012 report). It is for this reason that although the 2017 results in relation to the 2016 reports have been released, the market performance was not taken into account as there had not been enough time to assess market response at the time of this study.

Due to the sample data having deviated from normality, i.e. have values of skewness and kurtosis above and below 0 (Field, 2009), (see Table E4.1) and the sample size

being small (n = 16), the Kendall's tau non-parametric test was performed to determine correlation.

Table 5.8: Correlation between ranking and organisational performance

Correlations							
			Ranking	CAPM	COD	Tobins Q	PEG	PE Ratio
Kendall's tau_b	Ranking	Correlation Coefficient	1.000	.025	.633**	-.623**	-.051	.329
		Sig. (1-tailed)	.	.452	.001	.002	.405	.060
		N	16	16	16	16	16	16

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).

Table 5.8 above illustrate that the results of the Kendall's tau tests found that there was no correlation between an organisation's quality of integrated report and its cost of equity as determined through the three CoE proxies, i.e. CAPM, PEG and P/E (p-value = 0.452, 405 and 0.60). Conversely, significant correlations were observed between an organisation's ranking and its cost of debt and Tobin's Q at a 99% confidence interval

A fairly strong positive correlation was observed between ranking and cost of debt, reflecting a correlation coefficient of 0.633 (p-value = 0.001). In contrast, the test revealed a strong negative correlation between an organisation's ranking and its Tobin's Q with a correlation coefficient of -0.623 and a p-value of 0.002.

5.4 Conclusion

In this chapter, the results of the various descriptive and inferential statistical analysis applied to the hypotheses formulated with the aim of determining if integrated reports create the type of value sought by both users and preparers, were presented. A detailed discussion of these results and their implications in relation to the literature review findings in Chapter 2 follows in the next chapter.

Chapter 6 Discussion of results

6.1 Introduction

In this chapter, a comprehensive discussion of the results presented in chapter 5 was undertaken. The overarching purpose of this chapter is to place these findings in context by relating them to the literature review undertaken in chapter 2.

6.2 Research question 1

The first research question sought to gain insight on whether organisational stakeholders perceived the information contained in integrated reports as authentic and therefore useful for decision-making. To achieve this objective, three hypotheses were formulated and using a questionnaire, stakeholder sentiments were solicited on the various questions formulated from the <IR> framework's content elements and guiding principles.

To give meaning to these questions and enable statistical analysis, they were grouped into four constructs representing the characteristics of decision-making useful information as described by international accounting frameworks.

6.2.1 Hypothesis 1

The literature review undertaken in this study demonstrated that there was discourse surrounding the overall authenticity and quality of organisational disclosures of non-financial information. It is therefore not surprising that the limited research on reporting based on the <IR> framework revealed similar sentiments (Adams, 2015; Flower, 2015; Villiers et al., 2014). At an overall ESG/CSR level authors such as Tschopp and Huefner (2014) found that CSR reports addressed stakeholder needs, while Buhr et al (2014) expressed a concern over the authenticity of the disclosures, indicating that these disclosures were merely superficial, intended to achieve self-interested objectives of the organisation rather than meet stakeholder needs. Consequently, the authors questioned the quality of the reporting and its reflection of true and complete sustainability impacts (Buhr et al., 2014).

Informed by the notion that organisation are likely to seek and maintain a good social standing as espoused by the legitimacy theory, this researcher hypothesised that the <IR> framework was positively associated with high quality information that is useful for decision-making. As highlighted by Cohen and Simnett (2015) in reference to CSR disclosures, where decision-making is based on CSR information, it is imperative that those decisions are made on the basis of reliable and credible information. These sentiments reflect the importance of high quality disclosures and are echoed by Bradford et al. (2017) who indicated that the crucial test for the usefulness of [non-financial] information was the influence of such information on decision-making.

Shifting the lens of these debate to <IR> disclosures, the statistical results presented in chapter 5 indicate that there was a positive correlation between stakeholders' opinions on the usefulness of integrated reports and their (stakeholders') perceived importance of the <IR> framework content elements and guiding principles which embody the decision-making usefulness characteristics of understandability, comparability and verifiability. What can be interpreted from these findings is that the usefulness of integrated reports for decision-making is perceived to improve with disclosures that adequately address all the <IR> framework content elements and guiding principles that support the abovementioned characteristics.

As noted by several authors, the IIRC has clearly communicated that the primary audience of integrated reports are the providers of capital, i.e. investor (Burke & Clark, 2016; Flower, 2015; Villiers et al., 2014), and has been noted as proving to be a concern for prepares of integrated reports in satisfying multiple user needs who, in the views of the respondents in that study, were recognised as homogenous wherein their needs assumed to be the same (Higgins et al., 2014). However, the abovementioned findings give credence to Burke and Clark (2016, p. 276)'s assessment that "an unintended external benefit of integrated reporting is improved external engagement with [broader] stakeholders" groups. In fact they provide a stark contrast to the contention by Brown and Dillard, (2014, p. 1133) that integrated reporting fails to address the "decision-making and accountability needs of stakeholding publics such as consumers, employees..."

A possible explanation to the contradiction of the research findings and some of the literature may lie in the fact that to date, limited empirical studies have been undertaken on integrated reporting specifically and consequently findings have been based on normative findings (Brown & Dillard, 2014; Buhr et al., 2014; Flower, 2015; Villiers et al., 2014). In addition, in regards to literature on ESG/CSR disclosures, where studies have investigated decision-making usefulness, investor decision-making as well as those of environmental groups have formed the predominant focus of these (Atkins & Maroun, 2015; J. Cohen & Holder-webb, 2011; J. R. Cohen, Holder-Webb, & Zamora, 2015; Gao et al., 2016; O'Dwyer, Unerman, & Hession, 2005; Villiers & Staden, 2010; Wong & Millington, 2014).

In response to the timeliness construct of integrated reports, a mean score of 4.28 in respect of annual production of integrated reports, is an indicator that on average stakeholders do not deem it necessary for their decision-making for integrated reports to be produced more than annually. Furthermore in line with expectation informed by Wong and Millington (2014) that users are likely to only apply themselves to information that aids their decision-making, the results of the methods employed to read integrated reports revealed that the leading method is scanning in order to locate specific information.

6.2.2 Hypothesis 2

The second hypothesis aimed to delve deeper into the decision-making usefulness of disclosures made in integrated reports, with the aim of understanding whether there was a difference in the perception of usefulness among the different stakeholder groups.

While authors such as Flowers (2015) and Villiers et al (2014) were candid in their criticism of the <IR> framework as being beneficial to only one stakeholder group, being the investors, this researcher, motivated by the underlying principle of the stakeholder theory, deemed it appropriate to hypothesise that an integrated report is equally useful for the decision-making needs of all stakeholders.

Van Bommel (2014) observed that professionals such as accountants and investors seemed to influence quite strongly, the discussion in the integrated reporting field thereby advancing their own commercial position. It is therefore not surprising that the results presented in section 5.2.4.3 in respect of this hypothesis, confirmed that of all the

stakeholder groups, it was the investor and academics groups that were within the upper range (useful – very useful) in their ranking of the usefulness of integrated reports for decision-making while employees and customers leaned towards a more neutral to useful ranking.

Nevertheless, the comparison on the mean differences of perception of decision-usefulness of integrated reports between the stakeholder groups, as performed through the ANOVA test, revealed that there was no significant difference between the various stakeholder groups' perception of usefulness of integrated reports. Based on these findings, the hypothesis that integrated reports are equally useful to all stakeholders was accepted. This therefore satisfies Bradford et al. (2017)'s contention (although in relation to corporate social reports) that public reports intended for investors, employees, consumers, and other business partners should communicate information that is meaningful to the stakeholders reading it.

The results of this study complement the findings by Ching and Gerab (2017) who opined that organisations were placing increased prominence on building a culture of good reporting in order to create value and trust for their stakeholders, thereby building meaningful relationships with them. Furthermore, these findings give impetus to the stakeholder theory and position the <IR> framework as one that enables responsiveness to the collective positive and negative impacts of business activity with a focus on accountability to all stakeholders as opposed to long-term performance drivers only benefiting shareholders (Rowbottom & Locke, 2016).

6.2.3 Hypothesis 3

Central to this hypothesis, was an intention to understand stakeholder perspective on the relationship between the verification of integrated reports by external assurance providers and their perception of completeness and credibility of the reports. As noted in several of the literature, the credibility of non-financial disclosures remains in question, more so because of the predominantly voluntary nature of such disclosures.

Michelon et al. (2015) for example, noted that studies on CSR disclosure revealed a lack of completeness and decreasing amounts of credibility in the information reported and general concerns about overall reporting practices. It is for this reason that Wong and Millington (2014), pointed to effective third party assurance as a potential means to

validating non-financial disclosures. Likewise, Huang and Watson (2015) highlighted assurance is an important means of attesting to the high quality of the data used to measure CSR performance, therefore making this data reliable and relevant for decision making.

The Spearman's rho test performed to test this hypothesis revealed that a positive correlation existed between the inclusion of an independent third party assurance statement and the <IR> framework content elements and guiding principles that enhance the credibility of integrated reports. The implication of this is that stakeholders believe that in instances where there is an assurance statement; these guiding principles have been appropriately applied, thus providing a perception of credibility of such reports. This finding affirms the assertion by Cheng et al. (2015), in relation to the assurance of CSR reports, that the assurance of such reports had been found to improve the perceived reliability of the information disclosed therein.

Giving further credence to the Spearman's rho findings is the results of the simple linear regression performed which revealed the inclusion of an assurance statement in integrated reports as a statistically significant predictor of the report's credibility. Similar to the Spearman's results, these findings are also supported by Wong and Millington (2014) who not only suggest that assurance is instrumental in increasing the credibility of reporting but go on to recommend that organisations purchase CSD assurance as a means to address stakeholder concerns regarding the decision-usefulness of disclosures. It is worth noting, however, that in their research Michelon et al. (2015) found no relationship between assurance and disclosure quality, thus while the perception of credibility does exist, this is not necessarily a confirmation of quality.

6.2.4 Comment on research question one

The results of this study and the subsequent analysis, confirmed that stakeholders did indeed perceive integrated reports as useful for their decision-making purposes. Having ranked, on average, all the content elements and guiding principles of the <IR> framework as either important or very important, the respondents and there being no significant difference between the perception of usefulness among stakeholder groups, the respondents confirm the views of the proponents of the <IR> framework as being beneficial to all users.

Furthermore, the respondents also confirm the findings of authors such as Ching and Gerab, (2017) that the assurance of integrated reports enhances the credibility of these reports, i.e. that the report clearly demonstrates management's commitment to social and environmental issues, that the information adheres to internationally reporting guidelines and that it is specific and contains accurate information.

6.3 Research question two

The second research question was tested through a single hypothesis that aimed to establish if there was a positive correlation between the quality of information contained in the IR and the performance of an organisation.

6.3.1 Hypothesis 4

Through this hypothesis, the researcher sought to determine whether a relationship existed between authentic non-financial disclosures following the <IR> framework and organisational economic performance as measured through the cost of acquiring both debt and equity capital as well as market performance as informed by the Tobin's Q ratio.

The findings by Dhaliwal et al. (2014) on the impact of CSR disclosures and cost of equity in 31 countries globally, indicated that the cost of equity was lower in organisations that made CSR disclosures and more so in countries that are stakeholder orientated. Similarly, in their study conducted in Netherlands, Gao et al. (2016) concluded that higher quality CSR disclosures resulted in cheaper external financing, both from an equity and debt perspective.

As reflected in chapter 5, the kendall's tau test revealed that there was no significant correlation between the organisation's integrated report rankings and the CAPM cost of equity of said organisation meaning that based on the tests performed, there appeared to be no relationship between rankings and the cost of equity. Through their study of 26 years' worth of results for 160 of the largest JSE listed companies, Ward and Muller (2012) found that the use of CAPM as an indicator of the cost of equity was inappropriate on the basis that, over time, the betas for these companies showed no variability thus indicating that the use of these values as inputs to the CAPM calculation contributed very little in reflecting a reasonable indication of the cost of equity.

In addition to the CAPM cost of equity measure, however, the PEG and P/E ratios as utilised in the Dhaliwal et al. (2014) and Gao et al. (2016) studies respectively were also tested for correlation to rankings and both yielded the same results – i.e. there was no significant correlation thus revealing that there was no relationship between ranking and the cost of equity. These findings are therefore in conflict with the findings by both Dhaliwal et al. (2014) and Gao et al. (2016).

Although the primary cost of equity proxy utilised for this study was the CAPM measure which differs from the ones used by Dhaliwal et al. (2014) and Gao et al. (2016), the researcher was comfortable with this choice on the basis that, as stated by Dhaliwal et al. (2014) there is contention within literature on the appropriate proxy for cost of equity. These authors indicated that there was a lack of consensus on the best proxy for this measure. Nonetheless, the tests of reasonableness as discussed above proved that the proxy was not the main contributor to the conflict.

This researcher is therefore lead to contemplate that the conflict may be ascribed to the fact that the findings by the abovementioned authors were in respect of CSR reports and not integrated reports, thereby potentially indicating a difference in the value attributed to integrated reports by providers of capital as opposed to CSR reports. In addition, both Dhaliwal et al. (2014) and Gao et al. (2016) controlled for various variables such as firm size, market-to-book ratio, firm leverage, profitability, fundamental volatility and fixed effects for industry and year, in the determination of CoE in their studies as a means to account for potential noise inherent in the data, something which was not done in this study on account of the small size of the sample, the fact that the sample data was from within the same sector with fairly homogenous characteristics. Furthermore, while Gao et al. (2016) relied on rankings conferred by the Ministry of Economic Affairs in the Netherlands, Dhaliwal et al. (2014) merely relied on the existence of a CSR report as the dependent variable, although they did control for third party assurance of the report, its length in pages, and the regularity of CSR reports production.

With regards to the correlation between integrated report rankings and CoD, the statistical data revealed a fairly strong positive correlation between the ranking and CoD. This is an indication that there appears to be a relationship between these two variables whereby, when rankings improve, cost of debt increases. More specifically, the cost of debt for organisations that were rated excellent (i.e. Nedbank, Standard Banks and

Barclays Africa Group) exceeded that of FirstRand, which was consistently ranked good or average over the period of observation. It is worth nothing that FirstRand's cost of debt was lowest during the periods following its ranking as average.

Like the results in relation to the cost of equity, these findings are also in conflict with the literature findings, in respect of CSR reports, by Gao et al. (2016) and Ge and Liu (2015). both of whom identified that the cost of debt was lower for companies that produced high quality CSR reports. In their study, Ge and Liu (2015) applied credit ratings to determine cost of debt and through these were able to establish that companies that displayed better CSR performance were able to issue bonds at a cheaper rate. These authors found that their subject companies had a lower yield spread.

In the context of this study, the use of credit ratings was rejected on the basis that the sample organisations had similar if not identical ratings thus making them immaterial. Meanwhile, similar to this study, Gao et al. (2016) relied on the effective interest rate of the debt instruments issued by the organisations studied, however, these authors used this rate as at the point of bond issuance, while this study used historical interest rates of bonds already issued. Furthermore, these authors also controlled for various factors such as average ratings, which as discussed already were deemed inconsequential on account of these being the same. With no further differences identified, this researcher is led to contemplate whether the conflict is a reflection of the rigor and quality of the ranking process or the difference in the reports forming the basis of these studies, i.e. sustainability reports vs integrated reports.

The final element of this study involved determining the association between the quality of integrated reports and the Tobin's q measure of firm value. Favoured for its forward-looking characteristics and objectivity, this measure was seen to be a better representation of shareholder expectations of an organisations future performance than other measures such as return on equity and return of assets which are considered to be more subjective (Price & Sun, 2017).

As per the correlation analysis conducted in respect of this element, a negative correlation was found between integrated report ranking and the organisation's Tobin's Q, thus meaning that the increase in rankings is associated a lower Tobin's Q ratio. Again, this is in conflict with the findings by Price and Sun (2017) who found a positive

association between firm performance and Tobin's Q. A factor that may explain this conflict is the fact that in South Africa, all JSE listed entities prepare integrated reports therefore removing any potential variation in the design of these reports that the market can attribute to them. Furthermore, the research by Price and Sun (2017) applied corporate social performance as the independent variable and not quality of reports as was done in this study.

6.3.2 Comment on research question two

The findings in relation to this research question reflected a conflict in all respects with prior research on economic consequences of CSR reporting quality. Of importance to note is the fact that the limited research on integrated reports and more specifically the lack of research on economic consequences of authentic integrated reporting resulted in this researcher relying on prior research covering a the wider non-financial reporting spectrum as a proxy for <IR> which may have been a contributing factor to the identified differences. Furthermore, the prior research incorporated various measures such as analyst coverage, level of institutional ownership and stock liquidity in their determination of economic consequences (Gao et al., 2016) thus adding more rigor to their research.

Lastly, providing additional insight and perspective on the flaws of the various research methods applied in valuing the economic impact of CSR disclosures, that might shed further light on the conflicts identified in this research, Gregory and Whittaker (2013), criticised some of the common measures such as Tobin's Q on the basis that they are subject to superficial variations caused by the difference in operational methods applied by organisation, who although are within the same industry, may have differing cost structures and asset compositions which influence the outcome of the measures applied.

The authors further highlighted differences in accounting policy choice as another example of factors that could "distort the relationship between earnings and book value" (Gregory & Whittaker, 2013, p. 4). These authors therefore contended that, in order to circumvent the distortions caused by accounting policy choices and operational differences, the simultaneous evaluation of book values, market value and accounting values was necessary in investigating the valuation impact of CSP (Gregory & Whittaker, 2013).

6.4 Conclusion

In this chapter, an in-depth analysis of the research results presented on chapter 5 was undertaken. This discussion and analysis provided evidence that while organisational stakeholders perceived integrated report disclosures made in line with the <IR> framework as being authentic and useful for their decision-making, thereby confirming the findings of prior literature such as Burke and Clark (2016), the same could not be said about the economic consequences of authentic integrated reporting disclosures having found that all the findings in respect of this research question revealed either a lack of correlation or presented a conflicting correlation to prior research by the likes of Dhaliwal et al. (2014), Ge and Liu (2015) Gao et al. (2016) and Price and Sun (2017).

In the final chapter, the key findings of this study are confirmed along with their theoretical implication and recommendations for management. Lastly, the research limitation are also presented as well as recommendations for future research.

Chapter 7 Conclusion

7.1 Introduction

Through this chapter, a consolidation of the findings and the contextualisation thereof in relation to the aim of the study was undertaken. This is followed by a discussion of the limitations inherent in the study and finally recommendations for future research are provided.

7.2 Principal findings

As indicated in chapter 1, the intention behind this study was to deduce whether integrated reports prepared in line with the IIRC's <IR> framework created value for both users of these reports and the preparing organisation by assessing the perceived usefulness of integrated reports in aiding decision-making of stakeholders and determining the relationship between integrated reporting and organisational economic performance.

7.2.1 Stakeholders perception of the authenticity and decision-making useful of integrated report disclosures

To achieve this stated objective, the quantitative study took as its setting the banking sector of the JSE and in a two part format, firstly solicited the views, through a survey questionnaire, of three stakeholder groups on the usefulness of integrated reports in aiding their decision-making and secondly, employed content analysis to determine if there was a relationship between integrated reports quality, as espoused through practitioner awards, and the economic performance of the preparer organisations. The stakeholder group was made up of investors, customers and employees, all of whom were identified by the organisations within the banking sector as their key stakeholders while the sample of the preparer organisations constituted the top four banks in South Africa by market capitalisation.

With prior empirical research on integrated reporting still fairly scant, the research found its grounding on broader non-financial disclosure research spanning topics such as ESG and CSR. The findings of this study indicated that overall, stakeholders perceived the <IR> framework content elements and guiding principles important and contributed to

making reports prepared in line with this framework useful for their decision-making needs.

Contrary to the criticism levelled against integrated reports as being beneficial to only the investor stakeholder group (Buhr, et al., 2014; Flower, 2015), the findings of the research revealed that not only did stakeholders groups view integrated reports as useful for decision-making, but that there was no significant difference in this perception with the three stakeholder group. Furthermore, these findings provide some comfort to concerns raised by Rowbottom and Locke (2016) that the <IR> framework risked failing to meet the interests of those actors who doubted the compatibility of entity-specific value creation, and environmental and social sustainability.

From a management theory perspective, this study builds on the existing body of knowledge on stakeholder theory and its congruence with integrated reporting in that it demonstrates approval of the <IR> framework by stakeholders, which as indicated by Ching and Gerab (2017) is the focus of stakeholder theory. By extension, a similar conclusion can be drawn in regards to the legitimacy theory in that stakeholder satisfaction with integrated reports that adhere to the spirit of the <IR> framework can be linked to the organisation gaining legitimacy (Ching & Gerab, 2017) as can be seen through the responses indicating that integrated reports influence stakeholder investment/divestment decision, among others. Thus gives credence to the author's submission that perceived deviation in an organisation's behaviour from the societal expectations of its behaviour could result in the society revoking the organisation's license to continue operating (Ching & Gerab, 2017).

Another point of contention that exists in the broader ESG/CSR literature relates to the quality of information. Researchers such as Laufer (2003), Parguel et al. (2011) and Vos (2014) have voiced concerns over the quality and credibility of non-financial disclosures. As indicated by Comyns et al. (2013), the different types of information contained in non-financial reports presents challenges for users in that they are not always able to determine the credibility of the disclosures. It is in this regard that this research supports prior findings (Abernathy et al., 2017; Ackers & Eccles, 2015) and provides evidence of its applicability to integrated reporting, that the existence of an independent assurance report contributes to stakeholder perception of the authenticity of that report.

7.2.2 Economic consequences of authentic integrated reports

Regarding the economic consequences for organisations of adhering to the <IR> framework, this study found no evidence to indicate that findings of prior research that organisations that have good corporate social performance and high quality CSR reports benefit from positive economic consequences (Dhaliwal et al., 2014; Gao et al., 2016; Ge & Liu, 2015) are equally applicable to integrated reports that are ranked as being of a high quality.

7.3 Implications for management

This research in part strengthens the business case for integrated reporting in that it provides evidence that by explicitly naming providers of capital as the key beneficiaries of integrated reports; the <IR> framework does not result in a disregard for the rest of the organisational stakeholders. In the words of Mervin King as quoted in the 2017 EY integrated Report Awards report, integrated reporting provides the opportunity to connect teams across the organisation and in doing so, it breaks down silos and leads to more integrated thinking and improved internal processes, with the ultimate outcome being a better understanding of the business and value creation for all stakeholders (EY, 2017).

From an assurance point of view, the evidence of assurance being associated with credibility the findings indicate that management would be well placed to obtain independent third party assurance of their integrated reports as this would enhance stakeholder perception of the credibility of the reports, thereby augmenting the organisations' legitimacy with their stakeholders.

7.4 Limitations of the research

As with any research, this study is not without its own limitations. The purpose and snowball sampling nature employed in distributing the questionnaire resulted in the representation of the population sample being degreed individuals and as a consequence of this researcher's network consisting predominantly of professional accountants, the research may have been subject to the bias of these professionals who may be involved with integrated reports in some shape or form.

Furthermore, this sample also indicates that the greater portion of the customer stakeholder group, i.e. the man on the street, was not reached thereby limiting responses

to a select few. Although this is a shortcoming, the researcher also considered that integrated reporting in itself is a fairly technical topic and not necessarily easily understood by these members of the population.

While great effort was taken to include views from various stakeholder groups, it is worth highlighting that the same findings may not necessarily apply to all other stakeholders groups. This point also holds true in relation to stakeholders of organisations within industries outside of the banking sector as well as the South African context as these were the parameters within which this study was conducted.

Lastly, as the research did not assess the quality of integrated reports and relied on rankings as prepared by an independent body, the findings in relation to the relationship between rankings and economic consequences may suffer from a bias inherent in the ranking process.

7.5 Suggestions for future research

As the body of literature on integrated reporting continues to grow, further research is necessary to augment the knowledge that exist on the topic and enhance accountability reporting as a whole. This research provided an initial assessment of stakeholder perception of the decision-making usefulness of the disclosures therein as well as the economic consequences of reporting in terms of the <IR> framework. Future research would add value by:

- Further exploring the economic consequences of integrated reporting through the lens of its impact on competitive advantage, reputation, and customer satisfaction as done by Saeidi et al.(2015) in respect of CSR reports
- Performing a qualitative study in order to determine the type of value that stakeholders derive from integrated reports;
- Delving deeper into the quality of the assurance process undertaken for integrated reports, as well as the preferred types of assurers i.e. accountants vs specialists; and
- An in-depth content analysis of the quality of integrated reports across various settings in order to determine the economic consequences of the organisation on the basis of the self-determined quality as opposed to reliance on existing rankings.

7.6 Conclusion

The aim of this study was to determine if the customer, employee and investor stakeholder groups of the top four JSE listed banking sector companies perceived integrated reports as providing satisfactory information necessary for their decision-making needs as well as to determine whether, in relation to each other, the rankings of these companies' integrated reports resulted in improved economic performance.

It was found that stakeholders did in fact perceive integrated reports as being useful for their decision-making purposes. Moreover, no significant differences were identified in this perception between the three stakeholder groups. In relation to economic consequences, however, no evidence was found that high quality integrated reports translated into positive economic performance for the originating organisation.

The study provides insight on the perceived credibility on the <IR> framework as a reporting standard and presents an opportunity for organisations and providers of capital alike to assess how best, if at all, they can leverage off the authentic application of this framework to positively influence organisational economic performance.

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Appendix A - Ethical Clearance

Gordon Institute of Business Science
University of Pretoria

17 August 2017

Lebogang Senne

Dear Lebogang,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

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Appendix B - Questionnaire

The value creation of Integrated Reporting: stakeholder perspective and organisational performance

The Integrated Report has been conceptualised with the intention of reducing the growing number of reports produced by organisation to address various stakeholder needs. The report is intended to promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

As part of my thesis towards an MBA qualification with the Gordon Institute of Business Science, I am conducting a study, which aims to determine the perception of stakeholders of JSE listed Companies in the financial services industry on the usefulness of disclosures made in Integrated Reports for decision-making. To this end, your participation is sought through the completion of this questionnaire, which should take no more than 20 minutes to complete.

Your participation is voluntary and you can withdraw at any time without penalty. All data will be used without identifiers. By completing the survey, you indicate that you voluntarily participate in this research. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher name: Lebogang Senne
Email: 16391617@mygibs.co.za
Phone: 082 893 6706

Research Supervisor: Morris Mthombeni
Email: mthombenim@gibs.co.za
Phone:

Section A: Demographic information

Please indicate the correct option (s) from each of the following demographic questions that best describe you.

1. Gender

Male

Fem

ale

2. Age group

Under 25

Between 26 and 35

Between 36 and 45

Between 46 and 55

Between 56 and 65

Over 66

3. Highest educational qualification

No matric

Matric

Post matric Certificate or Diploma

Baccalaureate Degree(s)

Post- Graduate Degree(s)

4. Type of stakeholder in the financial services industry

An academic/researcher

An employee

A customer

A representative of an institutional investor

Other (please specify)

Section B: Stakeholder information needs

This section of the questionnaire aims to determine whether you have read an integrated report in the past 12 months, as well as your perception on what should be contained in an integrated report.

5. Have you read at least one integrated report in the past 12 months? (Indicate your response by selecting the appropriate box).

Yes

No

If you answered **no** to question 5, please answer question 6 only. If you answered **yes** to question 5, please skip question 6 and continue from question 7.

6. Which of the following best explains why you have not read an integrated report in the past 12 months?

Rank the options provided below according to your opinion of their importance in explaining why you have not read an integrated report in the past 12 months. The most important reason should be ranked as 1, the second most important reason should be ranked as 2 and so on. The least important reason should be ranked as 7. Allocate each rank once only.

(a)	The information contained in integrated reports is not relevant	
(b)	The information contained in integrated reports is not reliable	
(c)	The information contained in integrated reports is not understandable	
(d)	The information contained in integrated reports is not timely	
(e)	The information contained in integrated reports is not comparable	
(f)	The information contained in integrated reports is not verifiable	
(g)	Other (please specify)	

7. From your perspective, how important are the following statements about Integrated Reports for decision-making?

Indicate your response by selecting the appropriate box [1=Not important at all, 2=Slightly important, 3=Fairly important, 4=Very important, 5=Extremely important]

Integrated reports should:

		Not important at all	Slightly important	Fairly important	Very important	Extremely important
a)	Identify an organisation's key stakeholders					
b)	Provide insight into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long term					
c)	Identify and define what value means for its key stakeholders and how that has been created over time.					
d)	Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests					
e)	Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term					
f)	Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them					
g)	Provide future oriented information					
h)	Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time					

		Not important at all	Slightly important	Fairly important	Very important	Extremely important
i)	Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated					
j)	Demonstrate top management's commitment to social and environmental issues					
k)	Be specific and contain accurate information					
l)	Include an assurance statement from an independent third party					
m)	Demonstrate the integration of social and environmental issues into business processes					
n)	Demonstrate how the organisation's governance structure support its ability to create value in the short, medium and long term					
o)	Disclose both negative and positive aspects of company operations in a balanced manner					
p)	Adhere to standardized international reporting guidelines					
q)	Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment					
r)	Compare quantitative outputs/impacts against best practice/industry standards					
s)	Show trends					
t)	Provide targets					
u)	Include interpretation and benchmarks to provide context					
v)	Be produced annually					
w)	Be produced quarterly or bi-annually					
x)	Be produced on a real time basis					

Section C: The extent to which integrated reports are read and how they are used

This section of the questionnaire aims to determine the extent to which you read integrated reports and whether you use the reports to make decisions.

8. How often do you employ the following reading techniques when reading an Integrated Report?

Indicate your response by selecting the appropriate box [1=never, 2=rarely, 3=sometimes, 4=often, 5=almost always]

		Never	Rarely	Sometimes	Often	Almost Always
(a)	Scanning (to locate specific pieces of information)					
(b)	Skimming (rapid reading of headings, topic sentence to get the main idea)					
(c)	Exploratory reading (to get a fairly accurate picture of the entire report)					
(d)	Study reading (to get a maximum understanding of the main ideas)					
(e)	Critical reading (questioning, analysing and evaluating the text)					

9. To what extent do you agree with each of the following statements about how you use Integrated Reports?

Indicate your response by selecting the appropriate box [1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree]

I use Integrated Reports:

		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a)	For education or research					
b)	To hold a company accountable					
c)	To decide whether to buy a company's products or not					
d)	To decide whether to invest or disinvest from a company					
e)	To decide whether to support or launch action against a company					
f)	To decide whether to partner with a company					
g)	To decide whether to accept a job offer from a company					
h)	For my own knowledge					

10. How useful are Integrated Reports for the purpose for which you use the Integrated Report? Answer by selecting one of the following options.

Not useful at all

Not very useful

Neutral

Useful

Very useful

Appendix C - Constructs and attributes

The value creation of Integrated Reporting: stakeholder perspective and organisational performance – Section B: Question 7

Sub-question	Constructs	Attributes of authenticity
a. Identify an organisation's key stakeholders	Relevance	Completeness
b. Provide insight into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long term	Relevance	Quality
c. Identify and define what value means for its key stakeholders and how that has been created over time.	Understandability	Quality
d. Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	Reliability	Quality
e. Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	Relevance	Completeness
f. Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	Relevance	Completeness
g. Provide future oriented information	Relevance	Quality
h. Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	Relevance	Quality
i. Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	Understandability	Quality
j. Demonstrate top management's commitment to social and environmental issues	Reliability	Credibility
k. Be specific and contain accurate information	Reliability	Credibility
l. Include an assurance statement from an independent third party	Verifiability	Credibility
m. Demonstrate the integration of social and environmental issues into business processes	Relevance	Quality
n. Demonstrate how the organisation's governance structure support its ability to	Reliability	Credibility

Sub-question	Constructs	Attributes of authenticity
create value in the short, medium and long term		
o. Disclose both negative and positive aspects of company operations in a balanced manner	Reliability	Completeness
p. Adhere to standardized international reporting guidelines	Comparability	Credibility
q. Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	Understandability	Completeness
r. Compare quantitative outputs/impacts against best practice/industry standards	Comparability	Quality
s. Show trends	Comparability	Quality
t. Provide targets	Comparability	Quality
u. Include interpretation and benchmarks to provide context	Understandability	Quality
v. Be produced annually	Timeliness	N/A
w. Be produced quarterly or bi-annually	Timeliness	N/A
x. Be produced on a real time basis	Timeliness	N/A

Appendix D - Validity and reliability output

Relevance

Correlations

		Identify an organisation's key stakeholders	Provide insight into the organisation's strategy,and how it relates to the organisation's ability to create value in the short, medium and long term	Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	Provide future oriented information	Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	Demonstrate the integration of social and environmental issues into business processes	Total Relevance
Identify an organisation's key stakeholders	Pearson Correlation	1	.514**	.424**	.470**	.288**	.307**	.345**	.629**
	Sig. (2-tailed)		0.000	0.000	0.000	0.004	0.002	0.000	0.000
	N	100	100	99	100	100	99	100	100
Provide insight into the organisation's strategy,and how it relates to the organisation's ability to create value in the short, medium and long term	Pearson Correlation		1	.580**	.647**	.473**	.505**	.543**	.805**
	Sig. (2-tailed)			0.000	0.000	0.000	0.000	0.000	0.000
	N		102	101	102	102	101	102	102
Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	Pearson Correlation			1	.663**	.354**	.615**	.389**	.770**
	Sig. (2-tailed)				0.000	0.000	0.000	0.000	0.000
	N			101	101	101	100	101	101
Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	Pearson Correlation				1	.502**	.550**	.539**	.828**
	Sig. (2-tailed)					0.000	0.000	0.000	0.000
	N				102	102	101	102	102
Provide future oriented information	Pearson Correlation					1	.441**	.337**	.660**
	Sig. (2-tailed)						0.000	0.001	0.000
	N					102	101	102	102
Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	Pearson Correlation						1	.498**	.759**
	Sig. (2-tailed)							0.000	0.000
	N						101	101	101
Demonstrate the integration of social and environmental issues into business processes	Pearson Correlation							1	.695**
	Sig. (2-tailed)								0.000
	N							102	102
Total Relevance	Pearson Correlation								1
	Sig. (2-tailed)								
	N								102

**. Correlation is significant at the 0.01 level (2-tailed).

Reliability

Correlations

		Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	Demonstrate top management's commitment to social and environmental issues	Be specific and contain accurate information	Demonstrate how the organisation's governance structure support its ability to create value in the short, medium and long term	Disclose both negative and positive aspects of company operations in a balanced manner	Total Reliability
Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	Pearson Correlation	1	.454**	.629**	.487**	.432**	.761**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000
	N	102	101	102	102	101	102
Demonstrate top management's commitment to social and environmental issues	Pearson Correlation		1	.404**	.543**	0.166	.657**
	Sig. (2-tailed)			0.000	0.000	0.100	0.000
	N		101	101	101	100	101
Be specific and contain accurate information	Pearson Correlation			1	.575**	.581**	.818**
	Sig. (2-tailed)				0.000	0.000	0.000
	N			102	102	101	102
Demonstrate how the organisation's governance structure support its ability to create value in the short, medium and long term	Pearson Correlation				1	.557**	.829**
	Sig. (2-tailed)					0.000	0.000
	N				102	101	102
Disclose both negative and positive aspects of company operations in a balanced manner	Pearson Correlation					1	.715**
	Sig. (2-tailed)						0.000
	N					101	101
Total Reliability	Pearson Correlation						1
	Sig. (2-tailed)						
	N						102

**. Correlation is significant at the 0.01 level (2-tailed).

Understand-ability

Correlations

		Include interpretation and benchmarks to provide context	Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	Identify and define what value means for its key stakeholders and how that has been created over time.	Total Understandability
Include interpretation and benchmarks to provide context	Pearson Correlation	1	.382**	.406**	.421**	.785**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	102	102	102	102	102
Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	Pearson Correlation		1	.242*	.442**	.675**
	Sig. (2-tailed)			0.014	0.000	0.000
	N		102	102	102	102
Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	Pearson Correlation			1	.318**	.707**
	Sig. (2-tailed)				0.001	0.000
	N			102	102	102
Identify and define what value means for its key stakeholders and how that has been created over time.	Pearson Correlation				1	.729**
	Sig. (2-tailed)					0.000
	N				102	102
Total Understandability	Pearson Correlation					1
	Sig. (2-tailed)					
	N					102

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Comparability

Correlations

		Adhere to standardized international reporting guidelines	Compare quantitative outputs/impacts against best practice/industry standards	Show trends	Provide targets	Total Comparability
Adhere to standardized international reporting guidelines	Pearson Correlation	1	.455**	.313**	.312**	.635**
	Sig. (2-tailed)		0.000	0.001	0.001	0.000
	N	102	102	102	102	102
Compare quantitative outputs/impacts against best practice/industry standards	Pearson Correlation		1	.537**	.518**	.792**
	Sig. (2-tailed)			0.000	0.000	0.000
	N		102	102	102	102
Show trends	Pearson Correlation			1	.639**	.830**
	Sig. (2-tailed)				0.000	0.000
	N			102	102	102
Provide targets	Pearson Correlation				1	.826**
	Sig. (2-tailed)					0.000
	N				102	102
Total Comparability	Pearson Correlation					1
	Sig. (2-tailed)					
	N					102

**. Correlation is significant at the 0.01 level (2-tailed).

Completeness

Correlations

		Identify an organisation's key stakeholders	Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	Disclose both negative and positive aspects of company operations in a balanced manner	Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	Total Completeness
Identify an organisation's key stakeholders	Pearson Correlation	1	.424**	.470**	.233*	.414**	.677**
	Sig. (2-tailed)		0.000	0.000	0.020	0.000	0.000
	N	100	99	100	99	100	100
Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	Pearson Correlation		1	.663**	.450**	.296**	.738**
	Sig. (2-tailed)			0.000	0.000	0.003	0.000
	N		101	101	100	101	101
Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	Pearson Correlation			1	.522**	.416**	.826**
	Sig. (2-tailed)				0.000	0.000	0.000
	N			102	101	102	102
Disclose both negative and positive aspects of company operations in a balanced manner	Pearson Correlation				1	.485**	.715**
	Sig. (2-tailed)					0.000	0.000
	N				101	101	101
Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	Pearson Correlation					1	.660**
	Sig. (2-tailed)						0.000
	N					102	102
Total Completeness	Pearson Correlation						1
	Sig. (2-tailed)						
	N						102

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Quality

Correlations

		Provide insight into the organisation's strategy,and how it relates to the organisation's ability to create value in the short, medium and long term	Identify and define what value means for its key stakeholders and how that has been created over time.	Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	Provide future oriented information	Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	Demonstrate the integration of social and environmental issues into business processes	Compare quantitative outputs/impacts against best practice/industry standards	Show trends	Provide targets	Include interpretation and benchmarks to provide context	Total Quality
Provide insight into the organisation's strategy,and how it relates to the organisation's ability to create value in the short, medium and long term	Pearson Correlation	1	.553**	.626**	.473**	.505**	.331**	.543**	.333**	.568**	.259**	.368**	.706**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.001	0.000	0.001	0.000	0.009	0.000	0.000
	N	102	102	102	102	101	102	102	102	102	102	102	102
Identify and define what value means for its key stakeholders and how that has been created over time.	Pearson Correlation		1	.686**	.438**	.511**	.318**	.602**	.424**	.493**	.396**	.421**	.743**
	Sig. (2-tailed)			0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000
	N		102	102	102	101	102	102	102	102	102	102	102
Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	Pearson Correlation			1	.463**	.411**	.438**	.544**	.381**	.497**	.404**	.420**	.756**
	Sig. (2-tailed)				0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	N			102	102	101	102	102	102	102	102	102	102
Provide future oriented information	Pearson Correlation				1	.441**	.269**	.337**	.285**	.411**	.363**	.300**	.622**
	Sig. (2-tailed)					0.000	0.006	0.001	0.004	0.000	0.000	0.002	0.000
	N				102	101	102	102	102	102	102	102	102
Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	Pearson Correlation					1	.467**	.498**	.335**	.488**	.236*	.381**	.678**
	Sig. (2-tailed)						0.000	0.000	0.001	0.000	0.017	0.000	0.000
	N					101	101	101	101	101	101	101	101
Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	Pearson Correlation						1	.365**	.291**	.198*	.224*	.406**	.575**
	Sig. (2-tailed)							0.000	0.003	0.046	0.024	0.000	0.000
	N						102	102	102	102	102	102	102
Demonstrate the integration of social and environmental issues into business processes	Pearson Correlation							1	.492**	.472**	.384**	.529**	.741**
	Sig. (2-tailed)								0.000	0.000	0.000	0.000	0.000
	N							102	102	102	102	102	102
Compare quantitative outputs/impacts against best practice/industry standards	Pearson Correlation								1	.537**	.518**	.645**	.674**
	Sig. (2-tailed)									0.000	0.000	0.000	0.000
	N								102	102	102	102	102
Show trends	Pearson Correlation									1	.639**	.600**	.769**
	Sig. (2-tailed)										0.000	0.000	0.000
	N									102	102	102	102
Provide targets	Pearson Correlation										1	.629**	.667**
	Sig. (2-tailed)											0.000	0.000
	N										102	102	102
Include interpretation and benchmarks to provide context	Pearson Correlation											1	.747**
	Sig. (2-tailed)												0.000
	N											102	102
Total Quality	Pearson Correlation												1
	Sig. (2-tailed)												
	N												102

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Credibility

Correlations

		Adhere to standardized international reporting guidelines	Include an assurance statement from an independent third party	Be specific and contain accurate information	Demonstrate top management's commitment to social and environmental issues	Total Credebility
Adhere to standardized international reporting guidelines	Pearson Correlation	1	.368**	.422**	0.165	.626**
	Sig. (2-tailed)		0.000	0.000	0.099	0.000
	N	102	101	102	101	102
Include an assurance statement from an independent third party	Pearson Correlation		1	.570**	.455**	.815**
	Sig. (2-tailed)			0.000	0.000	0.000
	N		101	101	100	101
Be specific and contain accurate information	Pearson Correlation			1	.404**	.766**
	Sig. (2-tailed)				0.000	0.000
	N			102	101	102
Demonstrate top management's commitment to social and environmental issues	Pearson Correlation				1	.695**
	Sig. (2-tailed)					0.000
	N				101	101
Total Credebility	Pearson Correlation					1
	Sig. (2-tailed)					
	N					102

**. Correlation is significant at the 0.01 level (2-tailed).

Factor analysis

Rotated Component Matrix[a]			
	Component		
Integrated reports should:	Understand-able	Comparable	Verifiable
Identify an organisation's key stakeholders	0.512	0.274	0.057
Provide insight into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long term	0.791	0.094	0.292
Identify and define what value means for its key stakeholders and how that has been created over time.	0.580	0.322	0.318
Provide insight on how and to what extent the organisation understands, takes into account and responds to stakeholder needs and interests	0.695	0.288	0.311
Disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term	0.651	0.134	0.460
Describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them	0.710	0.361	0.260
Provide future oriented information	0.636	0.289	0.012
Show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time	0.481	0.109	0.564
Describe how the organisation determines what matters to include in the integrated report and how such matters are quantified or evaluated	0.113	0.176	0.753
Demonstrate top management's commitment to social and environmental issues	0.183	0.038	0.858
Be specific and contain accurate information	0.528	0.432	0.342
Demonstrate the integration of social and environmental issues into business processes	0.331	0.378	0.609
Demonstrate how the organisation's governance structure support its ability to create value in the short, medium and long term	0.272	0.488	0.622
Disclose both negative and positive aspects of company operations in a balanced manner	0.385	0.651	0.150
Adhere to standardized international reporting guidelines	0.292	0.594	0.119
Provide quantitative/monetary disclosure of significant outputs/impacts of the organisation's operations on the community and the environment	0.228	0.650	0.187
Compare quantitative outputs/impacts against best practice/industry standards	0.168	0.777	0.245
Show trends	0.497	0.576	0.077
Provide targets	0.224	0.759	-0.023
Include interpretation and benchmarks to provide context	0.106	0.749	0.371

Appendix E: Statistical results

H1: The <IR> framework is positively associated with high quality information that is useful for decision-making.

Table E1.1 Frequency distribution

Statistics					
		Usefulness	Final Understandable	Final Comparable	Final Verifiable
N	Valid	83	102	102	102
	Missing	32	13	13	13
Mean		3.9036	4.2404	4.1074	4.0877
Median		4.0000	4.3750	4.1429	4.2000
Std. Deviation		.90546	.65704	.68657	.73799
Skewness		-1.119	-.939	-.934	-.970
Std. Error of Skewness		.264	.239	.239	.239
Kurtosis		1.623	.501	.945	.967
Std. Error of Kurtosis		.523	.474	.474	.474
Minimum		1.00	2.14	1.86	1.80
Maximum		5.00	5.00	5.00	5.00

Table E1.2 Spearman's rho correlation

Correlations						
			Usefulness	Final Understandable	Final Comparable	Final Verifiable
Spearman's rho	Usefulness	Correlation Coefficient	1.000	.314**	.318**	.301**
		Sig. (1-tailed)	.	.003	.003	.004
		N	83	76	76	76
	Final Understandable	Correlation Coefficient		1.000	.695**	.688**
		Sig. (1-tailed)		.	.000	.000
		N		102	102	102
	Final Comparable	Correlation Coefficient			1.000	.664**
		Sig. (1-tailed)			.	.000
		N			102	102
	Final Verifiable	Correlation Coefficient				1.000
		Sig. (1-tailed)				.
		N				102

**. Correlation is significant at the 0.01 level (1-tailed).

Table E1.3 Timeliness descriptive statistics

		N	Mean	Std. Deviation	Std. Error
Be produced annually	Customer	57	4.33	.852	.113
	Investor	10	4.50	1.269	.401
	Employee	29	4.17	1.037	.193
	Academic/Researcher	4	3.75	1.893	.946
	Total	100	4.28	.996	.100
Be produced more than once a year (e.g. quarterly or bi-annually)	Customer	58	3.03	1.154	.152
	Investor	10	3.50	1.716	.543
	Employee	30	3.10	1.213	.222
	Academic/Researcher	4	2.25	1.893	.946
	Total	102	3.07	1.261	.125
Be produced on a real time basis (i.e. as and when circumstances require reporting)	Customer	56	3.02	1.286	.172
	Investor	10	3.80	1.317	.416
	Employee	29	3.41	1.268	.236
	Academic/Researcher	4	4.50	1.000	.500
	Total	99	3.27	1.308	.131

H2: An integrated report is equally useful for decision-making purposes of all stakeholders

Table E2.1 Test of homogeneity of variances

Test of Homogeneity of Variances			
Usefulness			
Levene Statistic	df1	df2	Sig.
.332	3	79	.802

Table E2.2 Tukey multiple comparisons

Multiple Comparisons							
Dependent Variable: Usefulness							
			Mean Difference (I-J)	(I) Stakeholder group	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Tukey HSD	Customer	Investor	-0.59069	0.34260	0.318	-1.4899	0.3085
		Employee	-0.16807	0.23359	0.889	-0.7811	0.4450
		Academic/ Researcher	-0.54902	0.53523	0.735	-1.9538	0.8557
	Investor	Customer					
		Employee	0.42262	0.37431	0.673	-0.5598	1.4050
		Academic/ Researcher	0.04167	0.60993	1.000	-1.5591	1.6425
	Employee	Customer					
		Investor					
		Academic/ Researcher	-0.38095	0.55606	0.902	-1.8404	1.0785
	Academic/ Researcher	Customer					
		Investor					
		Employee					

H3: The verification of integrated reports by external assurance providers is positively associated with the credibility of the reports.

Descriptive statistics and correlation output

Table E3.1 Frequency distributions

Statistics		
Credibility		
N	Valid	102
	Missing	13
Mean		4.2386
Median		4.2500
Std. Deviation		.66883
Skewness		-.957
Std. Error of Skewness		.239
Kurtosis		.502
Std. Error of Kurtosis		.474
Minimum		2.00
Maximum		5.00

Table E3.2 Spearman's rho correlation

Correlations				
			Include an assurance statement from an independent third party	Credibility
Spearman's rho	Include an assurance statement from an independent third party	Correlation Coefficient	1.000	.580**
		Sig. (1-tailed)	.	.000
		N	101	101
	Credibility	Correlation Coefficient	[redacted]	1.000
		Sig. (1-tailed)	[redacted]	.
		N	[redacted]	102
**. Correlation is significant at the 0.01 level (1-tailed).				

Regression analysis output

Table E3.3 Regression analysis model summary

Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.660[a]	.435	.429	.50776	.435	76.245	1	99	.000

a. Predictors: (Constant), Include an assurance statement from an independent third party

Table E3.4 Regression analysis ANOVA output

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.657	1	19.657	76.245	.000[b]
	Residual	25.524	99	.258		
	Total	45.181	100			

a. Dependent Variable: Credibility

b. Predictors: (Constant), Include an assurance statement from an independent third party

Table E3.5 Regression analysis co-efficient output

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B	
Model		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound
1	(Constant)	2.477	.208		11.916	.000	2.065	2.890
	Include an assurance statement from an independent third party	.422	.048	.660	8.732	.000	.326	.518

a. Dependent Variable: Credibility

H4: Authentic non-financial disclosures following the <IR> framework are positively associated with improved organisational financial performance.

Table E4.1 Descriptive statistics

Statistics					
		Ranking	COE	COD	Tobins Q
N	Valid	16	16	16	16
	Missing	0	0	0	0
Mean		1.38	13.426562500000001	2.818494	.9325
Median		1.00	13.750000000000000	2.699350	.9600
Std. Deviation		.719	1.266267111000000	.6336754	.13854
Skewness		1.731	-.695	.799	-.519
Std. Error of Skewness		.564	.564	.564	.564
Kurtosis		1.699	-.607	.877	-.880
Std. Error of Kurtosis		1.091	1.091	1.091	1.091
Minimum		1	10.795000000000000	1.9310	.70
Maximum		3	14.795000000000000	4.3354	1.13

Table E4.2 CoE reasonableness ratios

Company	2017	2016	2015	2014	2013	2012	2011
B-AFRICA (December)							
Earnings/ Share (C)	#N/A	1769.6	1687.2	1538.4	1397.7	1227.3	1355.9
Price / Earnings	#N/A	9.32	8.36	11.54	9.29	12.76	10.43
Earnings growth		0.05	0.10	0.10	0.14	-0.09	
PEG		1.91	0.86	1.15	0.67	-1.35	
FIRSTRAND (June)							
Earnings/ Share (C)	423.7	399.2	381.4	340.4	276.7	231.5	183.1
Price / Earnings	11.3	11.16	13.64	11.89	9.91	11.58	10.66
Earnings growth		0.05	0.12	0.23	0.20	0.26	
PEG		2.39	1.13	0.52	0.51	0.44	
NEDBANK (December)							
Earnings/ Share (C)	#N/A	2400	2284	2127	1884	1646	1365
Price / Earnings	#N/A	9.71	8.23	11.22	10.85	11.04	10.54
Earnings growth		0.05	0.07	0.13	0.14	0.21	
PEG		1.91	1.11	0.87	0.75	0.54	

STANBANK (December)							
Earnings/ Share (C)	#N/A	1440.1	1388.9	1081.4	1084.2	963.4	887.2
Price / Earnings	#N/A	10.5	8.22	12.91	11.33	11.65	11.08
Earnings growth		0.04	0.28	0.00	0.13	0.09	
PEG		2.85	0.29	49.99	0.90	1.36	