

**Gordon Institute
of Business Science**
University of Pretoria

**The contribution of integrated reporting to social and environmental
accountability and sustainability.**

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ABSTRACT

This study was aimed at determining the contribution of integrated reporting to social and environmental accountability and sustainability. Current business and economic challenges include job-creation, addressing inequality and poverty and ensuring that future generations can prosper on earth. Businesses have to accept their responsibility of ensuring a sustainable future. Inasmuch as integrated reports are the visible part of an organisation's strategy, thinking and decision-making regarding various sustainability issues, it has become compulsory for companies listed on the Johannesburg Stock Exchange. These reports require significant effort in their preparation.

This research study was exploratory in nature. Three research questions were addressed through content analysis. A coding framework was developed that included 14 variables relating to the research questions. A sample of five listed companies from three different industries was selected and three consecutive integrated reports (a total of 45 reports) were analysed against the 14 variables using the coding frame. The 45 integrated reports for Johannesburg Stock Exchange listed organisations were compared with reports by three organisations from Russia, India and China.

The study found that companies do not invest sufficiently in social and environmental sustainability and have not evolved to a stage where integrated thinking precedes the publication of integrated reports. Companies report retrospectively on environmental and social issues and have not taken a long-term view on social and environmental performance. Finally the research found small improvements in the social and environmental performance of companies that followed the guidelines of The International Integrated Reporting Framework.

KEY WORDS

Integrated reporting, environmental sustainability, social sustainability, corporate reporting, corporate social responsibility

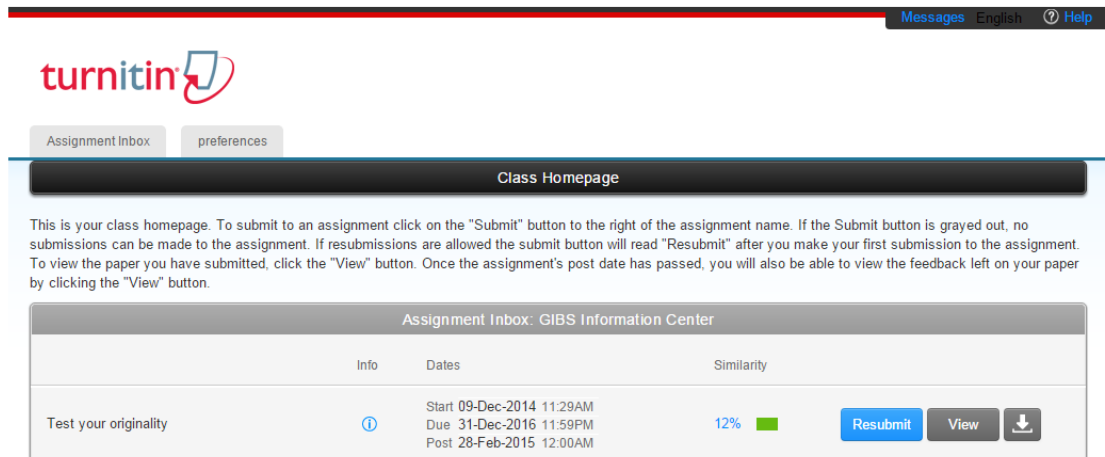
DECLARATION

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




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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Definition of problem and purpose

The aim of this research was to determine whether integrated reporting contributed to improved social and environmental performance by organisations that produced these reports.

1.2 Background

The classic view of economic activity, also referred to as neo-classical economics, limits the goals of businesses to profit maximisation. However, there has been a paradigm shift, with a stronger focus on corporate responsibility that includes an ethical approach to business (Garcia-Rodriguez, Garcia-Rodriguez, Castilla-Gutierrez, & Major, 2013). There is a growing realisation that organisations and leaders will have a crucial role in shaping the future of business, the environment and generations to come.

Organisations are responsible for their own financial sustainability but also need to take responsibility for sustaining the communities in which they operate, especially providing for the people who work for them and the environment. Ketola (2010) stated that both responsibility and irresponsibility are contagious and that inspiring leaders motivates others to higher levels of ethical behaviour. In contrast, greedy leaders can influence others to demonstrate lower levels of ethical behaviour.

The King Commission, in the King III Report on Corporate Governance released in 2009, advised South African organisations to report in an integrated manner (King III Report on Corporate Governance, 2009; Abeysekera, 2013). Through their corporate reports, organisations should put their financial performance in perspective. Organisations are advised to supplement their traditional financial reporting with information about their positive and negative social and environmental impact in the

process of achieving their financial results (King III Report on Corporate Governance, 2009).

The increased focus on financial, environmental and social sustainability issues during recent years relates to the fact that these aspects have become the most important sources of risks and opportunities for organisations (King III Report on Corporate Governance, 2009). For example, the failure by organisations to recognise stakeholders other than shareholders, can potentially pose significant legal risk (Devinney, Schwalbach, & Williams, 2013). Organisations that are able to identify and articulate the impact of the relevant sustainability issues on their long-term success are likely to be in a position to address the issues and report on these (Abeysekera, 2013; Druckman, 2014; Roth, 2014; Churet & Eccles, 2014).

There is keen interest in the corporate social responsibility practices of organisations (Ntim & Soobaroyen, 2013; Tschopp & Nastanski, 2014) that include their social and environmental impact. As a result, the concept of integrated reporting is gaining momentum globally (Churet & Eccles, 2014; Frias-Aceituno, Rodriguez-Ariza, & Garcia-Sanchez, 2013; Brown & Dillard, 2014; Cheng, Green, Conradie, Konishi, & Romi, 2014). Corporate accountability reporting is a current and relevant topic. Specifically, the interest in integrated reporting is increasing and will shape the future of corporate reporting (Druckman, 2014; Ramanna, 2013; Roth, 2014; Brown & Dillard, 2014).

Following the publishing of the King III report, the listing requirements of the Johannesburg Stock Exchange mandated organisations listed on the Johannesburg Stock Exchange to produce an integrated reports from 1 March 2010 (Abeysekera, 2013; Cheng et al., 2014). South Africa was the first country where listed companies were required to produce integrated reports (Cheng et al., 2014).

Corporate reports are considered a very important tool used by organisations to communicate with their stakeholders (Bouten, Everaert, & Roberts, 2012). The International Integrated Reporting Framework was published by the International Integrated Reporting Council (IIRC) at the end of 2013. This framework provides a global standard for organisations to compile integrated reports (The International Integrated Reporting Framework, 2013). The International Integrated Reporting Council (IIRC) proposed that integrated reporting should replace the current reporting regime

(Brown & Dillard, 2014) and become the corporate reporting norm (The International Integrated Reporting Framework, 2013).

In its simplest form, integrated reporting can be described as a combination of an organisation's financial report and its sustainability report in which top management shares specific information about the organisation's strategic view on issues relating to sustainability, also stating the organisation's contribution to long-term growth (Churet & Eccles, 2014). An integrated report explains the organisation's strategy, governance, performance and prospects by considering the challenges and opportunities presented by the organisation's external environment (Cheng et al., 2014).

This is a significant development in corporate reporting because ultimately, sustainability cannot be addressed if the various issues relating to sustainability are compartmentalised (Searcy & Buslovich, 2014). Integrated reporting is a process of preparing a report that results from integrated thinking within an organisation (IIRC, 2013). Integrated thinking is the active consideration of an organisation about how it creates value for various stakeholders and how it utilises its available resources in its business operations. Integrated thinking considers the positive and negative impacts that business operations have on the available resources. These considerations should ideally lead to decisions and actions that are integrated into the organisation's strategy over the short-, medium- and long-term (The International Integrated Reporting Framework, 2013).

An organisation's corporate social responsibility, which includes social and environmental responsibilities, cannot be separated from its core strategy and value proposition (Devinney et al., 2013) and the integrated report should confirm the organisation's strategy, thinking and decision-making with regard to these responsibilities (Churet & Eccles, 2014).

Integrated reporting, however, is voluntary in terms of the information that is disclosed to readers. The objective of the International Integrated Reporting Framework (2013) is to provide principles-based guidance to compilers of integrated reports with the intention to achieve a balance between prescription and flexibility. Therefore, it does not prescribe aspects such as the measurements or key performance indicators that should be included to disclose information regarding various sustainability aspects (The International Integrated Reporting Framework, 2013).

Researchers such as Brown and Dillard (2014) argued that The International Integrated Reporting Framework has a capital market orientation and that it would not contribute to improved social and environmental performance of organisations. The fact that reporting entities have the freedom to decide which disclosures are appropriate, in consultation with those stakeholders whom they choose to involve, may lead to omission of important sustainability information. Brown and Dillard (2014) criticised The International Integrated Reporting Framework for over-simplifying the immense challenges of sustainability.

Integrated reporting is one of the mechanisms that could potentially contribute to long-term sustainability changes because it is intended to focus the attention of organisational management on resources (capital) that are scarce and that include more than financial performance (The International Integrated Reporting Framework, 2013). When businesses adopt practises that are sustainable, it can affect both the value of the organisation and the future liveability of the earth (Butler, Henderson, & Raiborn, 2011). However, it is not clear whether integrated reporting, as a form of corporate accountability reporting, is in fact contributing to increased social and environmental sustainability performance or whether organisations approach it merely as another tick-box approach or use it to window-dress in a form of public relations, also known as greenwashing or environmental spin (Ramanna, 2013; Garcia-Rodriguez et al., 2013).

Sustainability issues are complex and diverse (Hahn, 2013) and there are still conflicting interests, perspectives and values over the changes that are required in business and accounting to achieve sustainability (Brown & Dillard, 2014). More clarity is needed on whether the introduction of integrated reporting and the required integrated thinking that should ideally culminate into an integrated report, is truly making a positive social and environmental impact (Roth, 2014).

1.3 Research requirement

The current business and economic challenges include the need to create and ensure jobs for the millions of people who do not have jobs, to address inequality and poverty and to ensure that future generations are able to prosper on earth. Neo-classical economics and its underlying assumptions do not contribute to these objectives in a constructive way (Hurst, 2013).

If humankind continues with its current business practises, there will be an escalation in the deterioration of the environment. Social degradation and inequality will also increase. For businesses to address the current sustainability issues, organisations will have to move away from self-interested neo-classical economic behaviour to behaviour that ensures sustainability for organisations and wider stakeholder communities (Lawson, 2013).

Organisations report on their decisions and actions with regard to social, environmental and financial sustainability through their corporate reports. Increasingly, organisations report in an integrated manner as proposed by the King III Report on Corporate Governance (2009) and The International Integrated Reporting Framework (2013). Integrated reporting is compulsory for companies listed on the Johannesburg Stock Exchange and organisations' executives and teams spend significant time and effort to prepare these reports.

From an academic perspective, it is important to establish whether the current business practice of preparing an annual integrated report, actually contributes to an improvement in the environmental and social sustainability performance of the organisations that prepare the reports. This research study into the effect of integrated reporting on the social and environmental performance of organisations is generalisable to all organisations that currently compile, or plan to compile, integrated reports.

The research aimed to illuminate the institutionalisation of integrated reporting in organisations after it has become a listing requirement by the Johannesburg Stock Exchange. Furthermore, the research aimed to determine whether integrated reporting resulted in integrated thinking and improved social and environmental performance. The study was based on an analysis of 15 companies, in three different industries, listed on the Johannesburg Stock Exchange and an additional three organisations from Russia, India and China.

Organisations should be able to use the research results both to improve their environmental and social sustainability strategies and practices internally and to improve their reporting practices to various stakeholders through their integrated reports. The longitudinal nature of this research study and the fact that it focused specifically on the social and environmental aspects of integrated reporting, improved the generalisation of the results.

1.4 Past research

The concepts of sustainability and corporate social responsibility have become important topics in today's competitive business environment (Hahn, 2013; Garcia-Rodriguez et al., 2013; Jeffers, Lin, Romera, & DeGaetano, 2014; Tschopp & Nastanski, 2014). However, the actual assessment of sustainability remains difficult. The term sustainability still lacks common definition, consistent and standardised measures and clear reporting guidelines (Jeffers et al., 2014; Tschopp & Nastanski, 2014).

Fifka and Meyer (2013) confirmed that there have been many empirical studies that have investigated responsibility reporting. The majority of research studies focused on internal organisational factors such as the size of the organisation, profitability, stock market listing and industry and determined how these factors impacted on reporting. Factors external to organisations such as stakeholder pressures and political regulations and these impacts on disclosure have also been researched, but to a lesser extent because the information is more challenging to quantify and the data is more difficult to gather. These research studies typically require surveys and interviews.

A number of other researchers (Abeysekera, 2013; Ramanna, 2013; Churet & Eccles, 2014; Ntim & Soobaroyen, 2013; Fifka & Meyer, 2013) have also shown interest in the field of corporate reporting and integrated reporting. Abeysekera (2013), for example, proposed a framework for integrated reporting that could be used by organisations as a template for preparing their own reports. Ramanna (2013) proposed three hypotheses to determine whether corporate accountability reports destroyed or added value for shareholders and other stakeholders. Churet and Eccles (2014) researched integrated reporting practises, the relationship between integrated reporting and the quality of management and the relationship between integrated reporting and financial performance. The relationship between responsibility reporting and corporate financial performance has received a large degree of attention, especially in studies regarding American companies (Fifka & Meyer, 2013).

Researchers such as Frias-Aceituno et al. (2013) and Ntim and Soobaroyen (2013) have also studied the relationship between corporate reporting and corporate governance bodies.

Bouten et al. (2012) stated that, through the years, there have been consistent empirical attempts by researchers to explain social and environmental disclosures according to corporate and industry characteristics. The reasons for voluntary disclosure by organisations have also been researched. In the majority of these studies, the level of disclosure was the only dependent variable which was normally measured by the extent of the disclosure (number of words, pages, sentences), the breadth of disclosure (number of items reported on) or depth of disclosure (qualitative versus quantitative information). Frequency of corporate social responsibility reporting, however, did not imply an improvement in the quality of reporting (Pedersen, Neergaard, Pedersen, & Gwozdz, 2013) or an improvement in actual corporate social responsibility performance.

Studies that included different countries tended to focus on the impact of external factors, in particular national context, on responsibility reporting. The number of studies conducted in developed countries exceeded those conducted in other parts of the world by far with a limited number of studies performed in Africa and other emerging markets relating to responsibility reporting (Fifka & Meyer, 2013). Ntim and Soobaroyen (2013) confirmed that, even though the importance of corporate social responsibility had increased, the empirical studies were concentrated on the developing countries, which involved similar contexts.

1.5 Research not conducted to date

Very little research has been conducted regarding the extent to which the data collected for sustainability reporting was used for decision-making. There is also a need for more prescriptive standards for sustainability reporting which could improve both the comparability and credibility of sustainability reports (Searcy & Buslovich, 2014). Hahn (2013) expressed the need for research regarding sustainability standards such as ISO 26000 and other standards to determine their impact on corporate social responsibility performance.

Many companies have embraced the sustainability construct but insights into the how and why they embarked on the path were still lacking. A need was expressed for frameworks that dealt with sustainability initiatives at corporate and strategic level (Tollin & Vej, 2012). Bardy and Massaro (2012) noted that an important area for future

research was to determine whether reporting frameworks that were in existence actually had an impact on the way that managers ran their businesses on a daily basis.

The relationship between responsibility reporting and corporate financial performance has received a large degree of attention in research studies (Fifka & Meyer, 2013). However, the researcher has not been able to establish whether organisations in general still reporteded mainly on financial issues, or whether they sufficiently reporteded on other sustainability issues to ensure balanced reporting as envisaged by the King III Report on Corporate Governance (2009) and The International Integrated Reporting Framework (2013).

The researcher had not been able to locate research that determined whether companies included clear, measurable and comparable strategic sustainability objectives and measurements in their business strategy and reported on these through their integrated reports. The integrated report should be the visible part of the sustainability strategy of the organisation (Churet & Eccles, 2014) and therefore its social and environmental objectives should be clear in the integrated report. Bouten et al. (2012), for example, described the corporate report as the most important communication tool of the organisation with its stakeholders.

The researcher also had not been able to locate research that described whether integrated reports included economic and social key performance indicators and whether these were clear, accurate, and comparable over time and balanced as required by the Global Reporting Initiative (GRI) principles for defining information quality (Butler et al., 2011). Inclusion of key performance indicators for environmental and social performance enables a determination of the actual economic and social impact of organisations over the medium- to long-term.

The author had not been able to find research that tracked the environmental and social sustainability performance of organisations over time. It was also not clear to the author whether environmental and social sustainability performance of organisations had improved since the introduction of integrated reporting. Tschopp and Nastanski (2014) confirmed that there was a need for research on the impact of corporate social responsibility reporting on social and environmental performance. Fifka and Meyer (2013) confirmed this research need by stating that more research was required to assess the impact that reporting actually had on sustainability performance. The

authors stated that there was still significant potential to do more empirical research of responsibility reporting.

Bouten et al. (2012) confirmed the need for longitudinal analysis with regard to corporate reporting and disclosure over time. Ntim and Soobaroyen (2013) also stated the need for more longitudinal data because research on social disclosures was limited mainly to analyses of firms over one year.

Ntim and Soobaroyen (2013) stated that the socio-economic challenges that were faced in developing countries, such as South Africa, were significantly different from those in developed countries. The majority of empirical studies focused on developed countries and therefore the motivations and drivers for corporate social responsibility disclosures in developing countries could be very different to those reported in other studies. The authors stated a need for more empirical studies in developing countries.

Studies in the early 2000s indicated that responsibility reporting in South Africa was weak mainly due to the absence of legal requirements and the lack of available data and motivation for companies to report. In the rest of Africa, research could be described as sporadic (Fifka & Meyer, 2013).

Cheng et al. (2014) provided a comprehensive list of areas that can be researched with regard to integrated reporting. The authors noted that little was known about the effect of integrated reports on stakeholders and on the organisations that prepared these reports. The authors also expressed the need for research about how organisations related their core business to environmental, social and governance (ESG) issues and whether integrated reporting did in fact result in integrated thinking.

Integrated reporting is in a very important phase of its development (Cheng et al., 2014). The research study by Cheng et al. (2014) aimed to contribute to an increased body of knowledge about integrated reporting by organisations in South Africa and whether it has changed the way that organisations did business. The focus was specifically on social and environmental disclosures and performance. The study included the integrated reports published by organisations over three years. This introduced a longitudinal element which increased the value of the study.

The remainder of this paper is structured as follows: Chapter two constitutes the literature review of mainly academic journals. The literature review is organised

according to seven areas that are relevant to the research study and which informed the research questions. Following the literature review, Chapter three provides a summary of the literature review, which leads to three research questions. Chapter four explains the research methodology selected by the researcher and the research process that was followed. Chapter five presents the results of the research followed by a detailed discussion of the research results for each research question in Chapter six. Chapter seven provides a conclusion to the research, including a discussion regarding the implications of the research for management and other stakeholders and suggestions for future research. A full reference list with appendices is provided.

CHAPTER 2: LITERATURE REVIEW

2.1 Neo-classical economics and its social and environmental consequences

According to Lawson (2013), the term neo-classical economics was first used by Thorstein Veblen more than 100 years ago. At the time when this school of thought originated, the world was very different than it is today. There were less people, none of the large corporates that we see today and an abundance of resources. Through a series of developments, mainstream neo-classical economics emerged with its focus on a human kind that is self-interested and organisations that are focused on maximising returns (Hurst, 2013; Brennan & Moehler, 2010). Neo-classical economics is criticised for its conventional economic theory, which currently dominates modern economics (Brennan & Moehler, 2010).

The promise of wealth and quick profits seduced individuals, organisations and societies to engage in irresponsible behaviour such as wasteful consumption and displaying general disregard for disadvantaged communities (Hurst, 2013). Neo-classical framings resulted in organisations engaging in unsustainable business practices by focusing on shareholder returns, maximum profits and growth with little regard for the environmental and social consequences (Hurst, 2013; Brown & Dillard, 2014) that resulted from these operations. This short-sighted behaviour stands in the way of the long-term solutions that are needed for business and human kind to prosper and survive over the long-term (Ketola, 2010).

Lydenburg (2013), as well as Brown and Dillard (2014) stated that a major problem in modern business and its associated mainstream accounting, is that environmental, social and governance (ESG) costs are externalised and borne by society. Essentially, organisations pursue financial returns, which benefit shareholders while certain costs of doing business are not considered. Negative externalities such as pollution, degradation of forests and soil erosion are borne by communities rather than the organisations that caused the damage (Gilligan & Song, 2014). Those who are worst

affected by these business decisions and who suffer the consequence of unsustainable growth, such as societies and the environment, are often not able to partake in the business decisions that determine their fate (Brown & Dillard, 2014). Lydenburg (2013) warned that the costs that are currently externalised would eventually be borne by corporations themselves and the sooner they include these in their strategic planning, the better.

The financial crisis (sub-prime crisis) in 2008/2009 was a good indication that neo-classical economic assumptions such as rational behaviour and market equilibrium were flawed. If markets were self-equilibrating and investors were rational, the crash should not have happened (Hurst, 2013). Because of the global financial crisis and an increasing awareness of environmental, governance and social challenges, there is increased pressure on organisations to implement proper corporate governance, to increase transparency and to be accountable to both shareholders and a wider stakeholder community (Abeysekera, 2013).

Although there are examples of actions by governments and business to become more sustainable, for example an increase in the global investment in clean energy from \$50 billion in 2004 to \$260 billion in 2011 (James, 2014), Hurst (2013) argued that neo-classical assumptions have become the norm. Brown and Dillard (2014) stated that mainstream economics, including corporate reporting, are founded on neo-classical principles and assumptions that still focus on wealth maximisation for shareholders rather than the interests of wider publics. Even though some organisations engage in actions to improve sustainability, the sustainability measures of many organisations are still intended to enhance their bottom line rather than to improve social and environmental sustainability (Jeffers et al., 2014).

The International Integrated Reporting Framework (2013) and the King III Report on Corporate Governance (2009) specify that organisations should engage in balanced reporting which includes reporting about their financial performance and their social and environmental performance. Furthermore, it is advised that organisations should report on both their positive and negative social and environmental impact in a transparent manner (International Integrated Reporting Framework, 2013).

Brown and Dillard (2014) criticised the International Integrated Reporting Council's proposals. They argued that the proposed framework did not contribute to an environment in which accountants or organisations are encouraged to critically review

the theories, thinking and techniques that resulted in the current societal and environmental unsustainability. They continued to state that The International Integrated Reporting Framework (2013) still supports the values, interests and perspectives which underpin mainstream accounting by the current reporting regime. They used examples such as the fact that the main audience for integrated reports is shareholders, and that organisations are advised to report on resources as capitals. This is a capitalistic, neo-classical way of thinking. The framework therefore reinforces the status quo of unsustainable business practices and reporting instead of transforming corporate reporting to a level where it contributes to improved sustainability performance.

Ketola (2010) stated that leaders must be able to distinguish between the achievement of long-term goals and immediate gratification. Working towards long-term sustainability goals requires patience. He continued that wise people and wise organisations have the ability to see many years, and even many decades, into the future. It is acceptable and required for businesses to be run for profit but the pursuit of profit should not be done at the expense of relinquishing responsibility for how the profits are made.

When conflicts arise between the achievement of short-term profits and long-term responsibility, long-term responsibility should outweigh the short-term gains. Ketola (2010) used the examples of The Body Shop and the Grameen Bank as organisations that were able to integrate their socio-cultural performance and profit goals successfully to ensure responsible and sustainable business.

2.2 Do shareholders care about social and environmental sustainability?

If responsible investment is the norm, it should motivate organisations to engage in more sustainable business practices. Velez-Castrillon (2014) described socially responsible investment, also termed ethical investment, as investment decisions where potential investors first consider the ethical, social and environmental aspects in which various organisations engage before opportunities are selected for investment. An important question is therefore whether responsible investment occurs, or whether the

business world is still permeated by the neo-classical assumptions of self-interested people and short-term benefits.

Velez-Castrillon (2014) commented that corporate social responsibility could lead to increased revenue and therefore better shareholder returns because organisations can gain access to markets with customers who are interested in socially responsible and environmentally friendly products. Corporate social responsibility can also result in better risk management and a reduction in costs such as energy and services.

However, Churet and Eccles (2014) stated that, for most investors, the focus remains on short-term financial results. Ntim and Soobaroyen (2013) found a relationship between organisations that lack adequate corporate social responsibility and concentrated or block organisational ownership. According to Searcy and Buslovich (2014), the main reason for shareholder interest in sustainability reports is for shareholders to limit their investment risk.

Conversely, a number of researchers (Searcy & Buslovich, 2014; James, 2014; Gates & Germain, 2010) stated that shareholders are in fact interested in limiting the asymmetry of corporate and sustainability information and they require more comprehensive sustainability reporting. They review both financial factors and qualitative factors such as the organisation's strategic decisions (Ahmed, Nanda, & Schnusenberg, 2010). James (2014) stated that investors are willing to extend capital to organisations that report on their sustainability practises.

Lydenburg (2013) stated that the quantity of responsible investors is increasing. These investors used the environmental, social and governance (ESG) information of organisations to make buy-sell decisions and decisions to engage with management. These investors analyse the organisations' financial prospects and their stakeholder relationships with the risks and rewards associated with these relationships. Research done by Ahmed, Nanda and Schnusenberg (2010), for example, indicated that organisations that value their employees and have a high degree of social responsibility towards them, were positively rewarded by the stock market.

Lydenburg (2013) used the example of the Principles for Responsible Investment (PRI), which is a coalition of asset owners and asset managers. The Principles for Responsible Investment (PRI) has more than 1 000 signatories and represents

approximately \$35 million in assets. It recognises that environmental, social and governance issues can affect the performance of organisations and investment portfolios over the long-term. The investors that subscribe to Principles for Responsible Investment (PRI) therefore endeavour to invest responsibly.

Velez-Castrillon (2014) noted that socially responsible index ratings, which are used in many countries, include evaluations of organisations against sustainability criteria. For example, an evaluation of an organisation's product sustainability includes the effects of the products on the environment, society and human health. The organisation's management and governance practices and structures are normally also included for evaluation.

However, Velez-Castrillon (2014) explained that socially responsible index ratings are criticised because there is still a strong moral and legal fiduciary or trust obligation on financial institutions, such as investors, to ensure the best possible financial return for shareholders. She commented that the implementation of responsible investment practices could result in increased cost for organisations. Responsible investment requires higher management fees to cover the expenses related to social, environmental and ethical screening and research. There is also a lack of transparency and consistency regarding the use of socially responsible ratings. This is discouraging for organisations because they are unable to implement the required sustainability changes if they do not know how they were evaluated and which of their business practices need review.

Lydenburg (2013) stated that the traditional investment approach was for investors to walk away from their investments when they are unsatisfied, without expressing their dissatisfaction to the organisation's management or explaining their reasons for disinvesting. This investment approach therefore did not contribute to bringing about positive reform. He argued that responsible investors should provide feedback to organisations to enable management to improve their unsustainable business practices.

Sievanen, Rita and Scholtens (2013) investigated the drivers for responsible investment of 250 European pension funds in 15 countries and found that responsible investment is likely to be related to the country of origin, whether funds are public or privately owned and the size of the fund. For example, funds with Scandinavian and English origin are likely to do responsible investment, as well as funds that are publicly

owned and those that are larger in terms of assets (Bushee, Carter, & Gerakos, 2014), employees and membership.

Although the empirical evidence of the relationship between shareholding and corporate social responsibility is still very mixed, institutional shareholders seem to tend to prefer shares in organisations with a profit motive (Ntim & Soobaroyen, 2013). Sievanen et al. (2013) stated that there is not strong evidence of a difference in returns for shareholders between responsible investment and investment that does not consider an organisation's social and environmental performance.

The challenge is that the benefits of improvements in environmental and social performance are seldom visible on the bottom-line over the short-term. This can result in organisations deciding that it is not worthwhile to invest in initiatives to improve their environmental, social or governance performance because they are not rewarded in the market (Lydenburg, 2013) for the improvements that they do make.

There is a cost associated with improved business ethics and practices such as improved employment conditions, compliance with regulations and community involvement. If investors or shareholders do not reward this behaviour, there is very little incentive for organisations to improve or change their business conduct (Velez-Castrillon, 2014).

Taking into account that there is not conclusive evidence that shareholders are concerned with the social and environmental performance of organisations, it is concerning that the integrated report is intended mainly for shareholders or providers of capital (Churet & Eccles, 2014; Brown & Dillard, 2014; Cheng et al., 2014). The International Integrated Reporting Framework (2013) clearly stated that an integrated report should provide better quality information to providers of capital for them to improve their capital allocation decisions. It does state that other stakeholders could also benefit from the report but describes the main audience for the reports as shareholders or providers of capital.

Brown and Dillard (2014) argued that The International Integrated Reporting Framework should, from the outset, have included the needs of a full range of external stakeholders. Otherwise, it will have a lasting bias toward the priorities and needs of shareholders.

Other codes, such as the Code for Responsible Investing in South Africa (CRISA) (2011) provided guidance to investors with regard to responsible investing and advocated that investors should consider sustainability, including environmental, social and governance issues (Institute of Directors in Southern Africa, 2011). However, the code is voluntary and its impact on investors is not known.

2.3 The influence of the governance body on integrated reporting

The practices that an organisation adopts are driven by the values and ethics of its management (Ntim & Soobaroyen, 2013). The values and ethics of management can either result in strong corporate social responsibility agendas or it can result in organisational members who seek to maximise their own self-interest.

The board of directors are representative of shareholders and they are central to the organisation's corporate governance (Jeffers et al., 2014). Ntim and Soobaroyen (2013) stated that board structures influence an organisation's corporate social responsibility practises. The board has an important role to play in the development of responsible organisations and responsible business practices.

Ketola (2010) stated that responsible organisations can develop individuals that are also responsible and who contribute to responsible societies. Responsible behaviour, however, starts at the top echelons of the organisation. Research by Ntim and Soobaroyen (2013) confirmed that organisations that have good governance in place, tend to be more socially responsible and tend to have good corporate social responsibility programmes in place.

Neo-institutional theory suggests that diverse boards contribute to improved corporate social responsibility agendas (Ntim & Soobaroyen, 2013). Ntim and Soobaroyen (2013) found that larger boards and a higher number of non-executive directors, including female directors, generally result in better corporate social responsibility disclosure. One of the reasons is that it is more difficult for a Chief Executive Officer to dominate a large board. They found that the diversity of the board in terms of age, education, nationality and occupation is positively related to social disclosures. Amran, Ping Lee and Devi (2014), however, researched organisations in the Asia-Pacific region and

found no significant association between the size of the board and the quality of sustainability reporting.

The question remains whether boards actually delegate environmental and social responsibility to their agents (management) or whether they still focus mainly on financial performance (Ramanna, 2013). The implementation of regulations can impose penalties on organisations for non-conformance with reporting requirements but it cannot create a culture of ethical and responsible behaviour. Governance mechanisms such as the board of directors and institutional shareholders are critical to ethical behaviour in organisations (Abdel-Meguid, Ahmed, & Duellman, 2013).

The International Integrated Reporting Framework (2013) proposed that an organisation's integrated report should explain how the incentives and remuneration of those responsible for the governance of the organisation are linked to the responsible and sustainable use of its resources and its efforts to create value over the short-, medium- and long-term.

2.4 Inclusion of social and environmental aspects in integrated reports

The legitimacy theory suggests that an organisation's right to exist is legitimised when, through its business operations, it is evident that its values and actions are consistent with society's values and expectations. The legitimacy of an organisation is threatened when there are differences between its value system and society's values (Ntim & Soobaroyen, 2013). Organisations should consider the legitimate needs of their stakeholders as part of good corporate governance (Vorster & Marais, 2014).

The importance of engagement and interaction with various stakeholders while including their input into the objectives and strategies of organisations, is covered in various standards and guidelines including ISO 26000 (Hahn, 2013), The International Integrated Reporting Framework (2013) and the King III Report on Corporate Governance (Vorster & Marais, 2014). Businesses would need to evaluate the implications of strategic decisions on different stakeholders and the complexities presented by the inter-relationships of social, environmental and economic impacts (Brown & Dillard, 2014).

The challenges of sustainability are complex and the measurement bases for corporate accountability are still unstructured and subjective (Brown & Dillard, 2014). An important reason for the lack of standardised and harmonised reporting is the fact that corporate accountability is expected to address the needs of a multitude of stakeholders and not just one stakeholder group as with financial reporting which is aimed only at the providers of capital (Brown & Dillard, 2014; Tschopp & Nastanski, 2014). Different stakeholders have different needs and agendas, which makes it difficult to find a reporting standard that satisfies diverse needs and interests (Tschopp & Nastanski, 2014).

If an organisation does not take into account the conflicting needs of stakeholders, including customers, regulatory bodies and non-governmental organisations, it can result in labour strikes, consumer boycotts and government intervention (Ntim & Soobaroyen, 2013; Hahn, 2013). Concerns over issues such as sweatshop labour and environmental disasters have also increased the need for corporate accountability (Tschopp & Nastanski, 2014). The rapid growth of social media networks and access to the internet has improved the dissemination of sustainability information and contributed to increased public awareness of social and environmental issues (Jeffers et al., 2014) and the actions of organisations.

The International Integrated Reporting Framework (2013) is the latest of numerous efforts by business networks and professional bodies to deal with the reporting of social and environmental issues (Brown & Dillard, 2014). The International Integrated Reporting Council stated that integrated reporting should become the reporting norm in organisations and that it will lead to the productive allocation and utilisation of capital (Brown & Dillard, 2014), including social and natural capital. At the heart of the framework is the idea that organisations should report on all of the resources or capitals that it uses in its business activities and explain how these resources are enhanced, consumed, destroyed, modified or affected (Cheng et al., 2014).

Brown and Dillard (2014) and Cheng et al. (2014) noted that traditional corporate reports focused on financial capital while the aim of integrated reporting is to provide a more holistic view of an organisation's business operations by describing the interrelationships between six different capitals and how business utilises these capitals to create value. The intention, as described by The International Integrated Reporting Framework (2013) and Cheng et al. (2014), is that a cultural change should

happen within the organisation, which should result in integrated thinking and decision making.

Integrated thinking happens when organisations actively consider their positive and negative impact on the various capitals or resources that they utilise in their business activities. These considerations should ultimately result in improved actions and strategic decisions to improve the value that the organisation delivers over the short-, medium- and long-term. This should benefit society through improved accountability and responsible stewardship of the six capitals (Cheng et al., 2014).

According to the King III Report on Corporate Governance (2009), an integrated report should contain sufficient information for stakeholders to assess the organisation's social and environmental impact and how the board believes that it will improve the organisation's performance or mitigate any negative effects. Both the King III Report on Governance (2009) and The International Integrated Reporting Framework (2013) stated that the purpose of an integrated report is to help stakeholders assess whether an organisation is able to deliver value over the short- medium-, and long-term. Stakeholders include shareholders, the environment and society (Abeysekera, 2013; King III Report on Corporate Governance, 2009; The International Integrated Reporting Framework, 2013). The information should be reported in such a manner that comparison is possible with past performance (King III Report on Corporate Governance, 2009; The International Integrated Reporting Framework, 2013).

Bouten et al. (2012) differentiated between two approaches that an organisation can have towards corporate social responsibility, an active and a passive approach. Organisations where management endeavours to influence significant stakeholders can be described as active approach. Those organisations that do not monitor relationships with their stakeholders can be described as passive. Active organisations are more likely to address stakeholder demands through specifically developed programmes.

Abeysekera (2013) proposed an integrated framework that can be used by organisations as a template for preparing their integrated reports. He proposed two separate reports; a financial report and an integrated report to differentiate between mandatory reporting and voluntary reporting. The majority of authors (Roth, 2014; The International Integrated Reporting Framework, 2013; Brown & Dillard, 2014; Churet & Eccles, 2014; King III Report on Corporate Governance, 2009; Frias-Aceituno et al.,

2013; Jensen & Berg, 2012) however, proposed a single report that integrates financial and non-financial information.

Frias-Aceituno et al. (2013) stated that separate reports may lead to confusion among readers and also that separate documents might lead to a lack of coherence between reports which could hamper corporate decision-making. Churet and Eccles (2014) stated that analysts and investors are unlikely to read information contained in a separate report and that sustainability reporting will be self-defeating if it is not integrated into the management's review of the business operations.

Although stakeholder engagement and the inclusion of stakeholder needs and interests in corporate strategy is deemed best practice, Brown and Dillard (2014) argued that corporate reporting is still focused on shareholders and that it does not sufficiently address current social and environmental issues or the relevant stakeholder needs and interests. They stated that capital market health and the well-being of society are inversely related although they did not provide sufficient substance or evidence for this statement.

Brown and Dillard (2014) described The International Integrated Reporting Framework (2013) as regressive compared to the Global Reporting Initiative (GRI) because it does not promote balanced reporting. According to these authors, the framework has a strong shareholder bias and does not address the needs of other stakeholders such as consumers, unions, suppliers, future generations and local communities.

The International Integrated Reporting Framework (2013) proposed that integrated reports should address the value an organisation creates for stakeholders and society. It also stated that organisations should report the extent to which the costs of resource utilisation have been externalised. However, the framework also stated that these issues should be addressed only when it is material to the organisation's ability to create value over the short-, medium- and long-term. Natural resources are not the property of organisations and the cost of a decrease in these resources will most likely not be borne by shareholders. Therefore, reporting on the trade-offs between resources will most likely be subjective (Cheng et al., 2014).

South Africa has been a leader in the field of corporate social responsibility and governance reforms, mainly because the country has to address a number of socio-economic problems such as poverty, inequality and a high crime rate (Ntim &

Soobaroyen, 2013). Notably, South Africa was the first country to require listed companies to produce integrated reports (Cheng et al., 2014). However, shareholder activism in South Africa is weak compared to other countries and there are concerns about whether compliance by organisations to guidelines such as those provided by the King III Report on Corporate Governance (2009) or The International Integrated Reporting Framework (2013) will effectively improve corporate social responsibility performance (Ntim & Soobaroyen, 2013).

2.5 The inclusion of environmental and social aspects in corporate strategy

One of the most credible voices on climate change is the Intergovernmental Panel on Climate Change (IPCC), which was established in 1988 by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO). According to the Intergovernmental Panel on Climate Change, climate change is real and the threat to social and economic life should not be underestimated (Gilligan & Song, 2014).

Devinney et al. (2013) stated that an organisation's corporate social responsibility policies and strategies reflect the critical choices of shareholders and managers about how the organisation will be governed and which stakeholders will have a recognised voice in its decisions. Searcy and Buslovich (2014) stated that the process used to prepare corporate reports could have an impact on the actual sustainability performance of the organisation. The process for establishing sustainability in an organisation requires the development of the organisation's interpretation of what sustainability means, the development of a strategy and linking goals, targets and key performance indicators to strategy execution.

The International Integrated Reporting Framework (2013) confirmed that the integrated reporting process should lead to improved integrated thinking and improved decisions and actions regarding the positive and negative impact of the organisation's business activities on its resources. This integrated thinking should inform the organisation's strategy going forward. The actions and decisions of the organisation with regard to its resources or capitals, including social and relationship capital and natural capital, should be reported over different time horizons in the integrated report. If corporate

social responsibility is truly integrated into the organisation's strategy, financial and non-financial aspects will be interrelated and there will be no need for separate reporting (Jensen & Berg, 2012).

Churet and Eccles (2014) as well as Butler et al. (2011) stated that companies that are able to clearly articulate how sustainability issues affect their long-term success, are best equipped to manage these issues internally. Therefore, the integrated report should be a good representation of the quality of management and whether the management team considers the negative effects, also called externalities, of the business on society and the environment (Churet & Eccles, 2014). The International Integrated Reporting Framework (2013) stated that organisations should report on both positive and negative externalities in a clear and transparent manner.

Integrated reporting and sustainability practices will differ for each individual company based on their strategic objectives (Roth, 2014; Butler et al., 2011). The organisation should define the specific ecological and social aspects that should be integrated into its strategy. It should then identify the business processes, resources and management processes that would enable the integration and entrenchment of sustainability into company strategy (Tollin & Vej, 2012). It is very important that corporate social responsibility practices are managed organisation-wide, else the organisation will gain zero value from preparing relevant reporting (Amran et al., 2014).

James (2014) stated that the integrated reporting process might lead to benefits for the organisation in terms of operational efficiency and long-term achievement of its mission and goals. Tollin and Vej (2012) stated that a time perspective over the short-, medium- and long-term is necessary to ensure that strategy is implemented.

Although The International Integrated Reporting Framework (2013) did not define the the timeframe for short-, medium- and long-term reporting, it stated that organisations should report over these three time horizons. An integrated report should also include both qualitative and quantitative information for stakeholders to evaluate the reported social, environmental and governance information and disclosures.

Butler et al. (2011) stated that sustainability measures should clearly align to corporate strategy. Management conduct environmental scanning to ensure that they are aware of the gaps that need to be addressed by their strategy. Thereafter they need to develop a strategy and have a systematic implementation process (Hahn, 2013).

Organisational management should define the metrics and key performance indicators to measure the progress towards achieving sustainability objectives and should understand how sustainability progress or lack of progress will affect the organisation's future success and its ability to create value for different stakeholders (The International Integrated Reporting Framework, 2013). Hahn (2013) confirmed that an action plan should include clear measures for the achievement of goals.

Sustainable development should be addressed through actions, activities and projects. A clear strategy should be developed and implemented to ensure that sustainability is achieved (Bardy & Massaro, 2012; Hahn, 2013).

Lydenburg (2013) described four steps or stages that management should follow to incorporate economic, social and governance issues into corporate strategy. Firstly, top management should illustrate their commitment to economic, social and governance issues by incorporating these into the strategic planning process. Thereafter, clearly articulated policies and goals must be developed. Policies and goals should enable stakeholders to evaluate the performance of the organisation. It is important that the policies and goals be implemented in reality, which requires the allocation of resources. Organisations must be able to demonstrate concrete progress with their sustainability strategies, otherwise their intentions may be perceived as doing greenwashing. Lastly, management must decide on the data that will be reported.

Although it seems clear that organisations should perform certain tasks to include social and environmental issues into their strategy, Churet and Eccles (2014) stated that it is difficult for companies to make a compelling business case for the actual investments because it is a challenge to illustrate how these intangible assets contribute to the financial performance of the organisation. Many companies have still not developed a strategic approach to corporate social responsibility and follow unsystematic approaches and procedures to address corporate social responsibility issues (Hahn, 2013).

Sustainability strategies and its resulting environmental measures are related to long-term results, which imply high levels of uncertainty and an ambiguous nature (Hahn, 2013; Jeffers et al., 2014). Therefore, it is difficult for organisations to embark on this strategic journey. This confirms the importance of evaluating sustainability performance of organisations over the short-, medium- and long-term (Jeffers et al., 2014; The International Integrated Reporting Framework, 2013).

2.6 Standards and practises used to report on social and environmental sustainability

Companies adopt various frameworks to benchmark sustainability outcomes (Bardy & Massaro, 2012). Butler et al. (2011) stated that the old accounting saying of “what gets measured, gets managed” is applicable to sustainability and integrated reporting. They continued to state that management should, after it has established its approach to sustainability, determine how its sustainability initiatives would be reported and assessed.

Butler et al. (2011) further described seven aspects that organisations should consider with regard to the measurement of sustainability initiatives:

- There should be a clear “green” or sustainability goal or objective;
- Responsibility and accountability for the achievement of goals and objectives must be defined;
- Measurements must be clear and agreed upon and the data for metrics should be available and comparable;
- There should be a high number of leading indicators and less lagging indicators; and
- Appropriate benchmarks should be included to identify weaknesses and strengths in achieving sustainability.

Gates and Germain (2010) confirmed that sustainability measures should be incorporated into strategic performance measurement systems. Bardy and Massaro (2012) stated that benchmarking against other organisations is important and that an organisation contributes more to sustainable development when it uses its bundle of different capitals or resources more efficiently than another organisation.

Many authors (Searcy & Buslovich, 2014; James, 2014; Butler et al., 2011; Gates & Germain, 2010; Ntim & Soobaroyen, 2013; Tschopp & Nastanski, 2014) confirmed that the majority of organisations use the sustainability reporting framework of the Global Reporting Initiative (GRI) to aid in the development of their sustainability reports. The Global Reporting Initiative (GRI) is a non-profit organisation that aims to promote sustainability and harmonise reporting standards to make sustainability reporting a routine activity and comparable to traditional financial reporting (Jeffers et al., 2014;

Global Reporting Initiative). It identifies six principles for defining information quality. These principles are reliability, balance, clarity, accuracy, timeliness, and comparability (Butler et al., 2011; Global Reporting Initiative).

Searcy and Buslovich (2014) researched 35 Canadian companies and found that 63% indicated that they use the Global Reporting Initiative (GRI) guidelines as part of the sustainability reporting process. Butler et al. (2011) referred to a KPMG survey, which indicated that 77% of the Fortune Global 250 and 69% of the 100 largest companies in 22 countries used the framework of the Global Reporting Initiative (GRI).

Brown and Dillard (2014) stated that the Global Reporting Initiative (GRI) has the shortcoming of not being able to address the ingrained and fundamental challenges still founded on neo-classical economics such as the dominance of the perspectives of capital markets and standard setting by mainstream accounting practises. They further stated that both civil society and academic commentators have expressed concern about managerial bias in reporting and the poor quality of assurance processes on reported information. They argued that the reported information of organisations that report at high Global Reporting Initiative (GRI) levels is of limited value from stakeholder accountability perspectives. In contrast, research by Tschopp and Nastanski (2014), which compared four reporting standards, suggested that the Global Reporting Initiative (GRI) provided the most useful information for decision-making, that it is comprehensive and that it addresses specific stakeholder concerns.

Organisations also use other standards for sustainability reporting such as the International Organization for Standardization (ISO) which issued ISO 14001 (environmental management systems) and ISO 26000 (social responsibility), AccountAbility's AA 1000-Principles Standard, the United Nations (UN) Global Compact, Principles for Responsible Investment, the Carbon Disclosure Project and industry specific key performance indicators (Searcy & Buslovich, 2014; Butler et al., 2011). The ISO 26000, published in 2010 by the International Organization for Standardization (ISO) is aimed at assisting organisations to become more sustainable by providing guidance to sustainable development (Hahn, 2013).

Garcia-Rodriguez et al. (2013) noted that standards developed by the International Organization for Standardization are firmly established in business and are the most widely accepted due to their global nature. The authors performed a case study based

on the Luanda Oil Refinery and found that the company's environmental performance improved significantly after the introduction of ISO 14001.

Ntim and Soobaroyen (2013) researched Black Economic Empowerment disclosures by South African listed corporations and found that efforts by organisations such as the Johannesburg Stock Exchange listing requirements, have had a positive impact on the corporate social responsibility practises of organisations. They proposed that there should be a disclosure framework such as the Global Reporting Initiative (GRI) to ensure that social disclosures such as Black Economic Empowerment adhere to minimum requirements of reliability and relevance.

Hahn (2013) stated that there is not a consistent understanding between different organisations and stakeholders of what sustainability and corporate social responsibility truly encompass. There is also no consistent application of measurements to determine corporate social responsibility performance. The use of multiple reporting standards reduces the credibility of reported information and it becomes difficult for decision makers and stakeholders to make comparisons between organisations (Tschopp & Nastanski, 2014).

According to Searcy and Buslovich (2014), the non-prescriptive requirements of the voluntary standards are frequently modified or ignored. This further complicates the comparison of reports between companies. The authors stated that there is concern regarding the accuracy and completeness of the social and environmental impacts that organisations report and that there is a growing body of research that focuses on the assurance of sustainability reports. Churet and Eccles (2014) stated that environmental issues tend to be easier to quantify and are more tangible. Therefore, environmental issues are included more readily into reporting than social issues, which are intangible.

In financial accounting, there is the matching principle where costs in a certain period are matched with the benefits obtained in a certain period. This matching is more difficult with corporate accountability reporting due to the lagging effect of business activities on the environment and communities (Ramanna, 2013). The impact of social and environmental degradation may not be visible over the short-term (Bardy & Massaro, 2012). There is also a significant time-lag before environmental, social and governance performance improvements will result in improved financial performance (Churet & Eccles, 2014). This reinforces the need to measure sustainability

performance over time and to include both short-term and long-term information (Bardy & Massaro, 2012).

Churet and Eccles (2014) stated that the main section of the corporate report should ideally include specific examples of the sustainability initiatives that the organisation implemented, and the report should discuss these initiatives' impact on the organisation's financial performance. The authors further stated that the impact of sustainability initiatives should be quantified where possible. Butler et al. (2011) stated that sustainable development should be viewed with the same importance as other items on the strategic agenda and its metrics should be given the same status and emphasis as other metrics. If this does not happen, sustainable development can become just another public relations exercise, an activity which receives substantial lip service but is not viewed as important to achieve competitive advantage (Butler et al., 2011; Gates & Germain, 2010).

2.7 Challenges relating to reporting social and environmental progress

Searcy and Buslovich (2014) stated that the personal perspectives of the management team influence the development of reports. There is also a lack of sustainability reporting and stakeholder engagement experience and knowledge in management teams. A number of writers (James, 2014; Tollin & Vej, 2012; Lydenburg, 2013; Devinney et al., 2013) stated that reliable and credible sustainability reports and integrated reports require the right mind-set and commitment from top management as well as those responsible for the reporting process.

James (2014) stated that a survey by Ernst & Young and Greenbiz found that the main factors that determine management's sustainability agenda were reducing cost (74%) and shareholder expectations (68%). The extent to which governance bodies, shareholders and executive management remain focused on short-term financial performance will determine whether organisations implement the fundamental changes needed to achieve integrated and sustainable businesses (Cheng et al., 2014).

The efforts of some organisations to implement improved social and environmental initiatives are hampered due to a lack of skilled and trained employees and the absence of protocols and specific environmental documentation (Garcia-Rodriguez et

al., 2013). Implementation of sustainability initiatives is also associated with compliance cost and in many instances initial capital investments are required (Jeffers et al., 2014).

Research by Pedersen et al. (2013) indicated that non-conformance of Danish companies to newly instituted corporate social responsibility legislation was not a result of conscious resistance only. Other reasons for non-conformance included the time required to attain and implement an adequate corporate social responsibility programme, the lack of awareness about the requirements, the measurement systems needed to provide sufficient data for reporting, different interpretations of the regulations and its enforcement, a lack of qualified resources to compile reports and competing business priorities.

From a stakeholder perspective, it is difficult to accurately monitor the practices of organisations and the benefits or negative impacts of business behaviour (Devinney et al., 2013) on society and the environment. Chapter 9 of the King III Report on Corporate Governance (2009) proposed that there should be independent assurance to ensure the integrity of sustainability reporting. Cheng et al. (2014) noted that the assurance of integrated reports would remain a challenge for a number of reporting periods. Assurance is complicated by the fact that there is still no consensus about the benchmarks that should be used. It is also difficult to provide reasonable assurance on the sustainability aspects covered in integrated reports without assuring the underlying processes.

CHAPTER 3: RESEARCH QUESTIONS

Chapter three presents a summary of the literature review discussed in Chapter two. The literature review and the research problem defined in Chapter one informed the three research questions defined in this chapter as well as the 14 sub-questions that were defined as part of the coding manual that is presented in Chapter four.

3.1 Summary of literature review

From the literature review detailed in Chapter two, the following emerged: Neo-classical economics currently dominate modern economics (Brennan & Moehler, 2010) and has contributed to business practices that focus on shareholder returns and unsustainable business activities (Hurst, 2013; Brennan & Moehler, 2010; Brown & Dillard, 2014). However, there is increased pressure on organisations to increase transparency and to account to both shareholders and the wider community (Abeysekera, 2013; King III Report on Corporate Governance, 2009; The International Integrated Reporting Framework, 2013).

Writers such as Hurst (2013), Brown and Dillard (2014), Ntim and Soobaroyen (2013) as well as Churet and Eccles (2014) share the opinion that neo-classical economics and its focus on short-term results are still the norm, and that corporate reporting is still founded on neo-classical principles. Although the empirical evidence of the link between shareholding and corporate social responsibility is still very mixed, institutional shareholders seem to tend to prefer shares in organisations with a profit motive (Ntim & Soobaroyen, 2013).

Shareholders are still the main target audience for corporate reports in general and integrated reports specifically (The International Integrated Reporting Framework, 2013; Churet & Eccles, 2014; Brown & Dillard, 2014; Cheng et al., 2014). Studies are inconclusive about whether shareholders are truly interested in investing in organisations that are socially and environmentally responsible (Searcy & Buslovich,

2014). Therefore, it is unclear whether pressure from shareholders will result in improved social and environmental performance by organisations.

Neo-institutional theory suggests that diverse boards contribute to improved corporate social responsibility agendas and improved disclosure (Ntim & Soobaroyen, 2013). However, the question remains whether boards actually delegate environmental and social responsibility to organisational management or whether they remain focused mainly on financial performance (Ramanna, 2013).

The majority of authors (Roth, 2014; The International Integrated Reporting Framework, 2013; Brown & Dillard, 2014; Churet & Eccles, 2014; King III Report on Corporate Governance, 2009) are in agreement that the organisation's social and environmental impact should be included in a single integrated report. Integrated thinking should precede the report (The International Integrated Reporting Framework, 2013; Cheng et al., 2014). Integrated thinking happens when organisations actively consider their positive and negative impact on the various capitals or resources that they utilise in their business activities. Essentially, organisations should ensure that they use the "interest" earned on capital stock instead of drawing it down (Bardy & Massaro, 2012). These considerations should ultimately result in improved actions and strategic decisions to improve the value that the organisation delivers over the short-, medium- and long-term (Cheng et al., 2014)

The integrated report should be a proxy of the actual social and environmental strategy and initiatives implemented by the organisation (Churet & Eccles, 2014). The social and environmental strategy of an organisation, as detailed in the integrated report should include metrics (Butler et al., 2011) and a time perspective over the short-, medium- and long-term (Tollin & Vej, 2012; Jeffers et al., 2014).

There is a significant time-lag before environmental, social and governance performance improvements will result in improved financial performance (Churet & Eccles, 2014). This reinforces the need to measure sustainability performance over time and to include both short-term and long-term information (Bardy & Massaro, 2012).

A large majority of organisations report on their sustainability initiatives using the Global Reporting Initiative guidelines (Searcy & Buslovich, 2014; James, 2014; Butler et al., 2011; Gates & Germain, 2010; Ntim & Soobaroyen, 2013; Tschopp & Nastanski,

2014). Reporting according to the Global Reporting Initiative guidelines can therefore be viewed as good reporting practice.

It is evident that organisations should report transparently on social and environmental sustainability issues and that these aspects should be integrated into an organisation's strategy and decision-making. It is not clear, however, whether this is actually implemented over time and if reporting contributes to improved social and environmental performance.

The fields of corporate accountability reporting, sustainability and integrated reporting are wide and the measurement base is still unstructured and subjective (Ramanna, 2013). In terms of sustainability, there is still disagreement about what, for whom and how organisations should become more sustainable and who makes the decision about what constitutes sustainability for an organisation (Brown & Dillard, 2014). There is also an absence of consensus regarding the benchmarks and standards that should be used to interpret the principles of The International Integrated Reporting Framework (Cheng et al., 2014). A significant amount of professional judgement also underlies the preparation of integrated reports (Cheng et al., 2014).

This study was concerned specifically with social and relationship capital and natural capital from an integrated reporting perspective. Significant resources are used to prepare integrated reports. The intention is that integrated reporting should be the result of integrated thinking and an integrated approach to balancing financial, social and environmental concerns (The International Integrated Reporting Framework, 2013). These concerns should be included in the organisation's strategy and decision-making and then be consolidated and communicated via a coherent report. Comprehensive accountability should be achieved via the integrated report (Frias-Aceituno et al., 2013).

3.2 Research questions

Based on the research problem and literature review, the following research questions were defined:

3.2.1 Research Question one

Does integrated reporting contribute to improved social and environmental performance by organisations over time?

3.2.2 Research Question two

Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?

3.2.3 Research Question three

Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?

3.3 Conclusion

The research questions determined the research methodology options available to the researcher. The information that the researcher had to analyse to answer the research questions were contained in extensive and unstructured narrative sections of corporate reports. The researcher had to select a research method which would address the need for comparison of information over time and which would ensure an objective evaluation of large amounts of information. The selected research methodology is discussed in the next chapter.

CHAPTER 4: RESEARCH METHODOLOGY

Research into integrated reporting should be generalisable to all organisations that compile, or plan to compile, integrated reports. The aim of this study was to gain a better understanding of the social and environmental performance of organisations over time and whether this performance improved when organisations compiled integrated reports.

The research design provided the framework for data collection and analysis and reflected the priority that the researcher has given to the various dimensions of the research process. According to Bryman (2012), the research method is defined as the technique used to collect the relevant data for a research study.

The researcher followed a pragmatic approach which entailed that the research study was guided by the research questions defined and the research objectives (Saunders & Lewis, 2012).

4.1 Research design

Research designs include experimental design, cross-sectional or survey design, longitudinal design, case study design and comparative design (Bryman, 2012). This study can be described as a cross-sectional study. The reasons for selecting this research design included the following:

More than one case

Organisations vary in terms of their culture, function, structure and complexity, which make organisational level analyses important (Ntim & Soobaroyen, 2013). Firms in industries with closer ties to their social and environmental context also tend to assign more importance to corporate social responsibility (Garcia-Rodriguez et al., 2013).

A cross-sectional study provided the researcher with the opportunity to introduce variety. The study included 48 integrated reports from organisations in different industries. This offered the researcher the opportunity study the variations between the

reports and strategies of different organisations and the differences between organisations in more than one industry.

Collection at a single point in time

Three consecutive integrated reports for each organisation were included in the study. This introduced a valuable longitudinal element to the study. However, it was possible for the researcher to collect the data at a single point in time because integrated reports are public documents.

Quantifiable data

The researcher was able to quantify the data. The researcher used content analysis to compare the reports of different organisations by using a coding manual and coding frame. This enabled the researcher to establish variation between organisations.

The research approach for this study was deduction as it involved testing a “theoretical proposition” (Saunders & Lewis, 2012, p. 108) by developing a specific research strategy. A deductive research approach includes the definition of research questions, operationalising the research questions, seeking answers, analysing results and finally confirming or modifying the initial theory (Saunders & Lewis, 2012).

For this study, the researcher studied relevant literature and formulated three research questions. The research questions were addressed through a process of collecting relevant data and performing content analysis. By following a deductive approach, the researcher identified variables for analysis from a theoretical perspective by means of an extensive literature review.

The researcher developed a framework that included 14 variables relating to the research questions. These variables were addressed through the coding framework by defining 14 sub-questions. Content analysis provided the researcher with the opportunity to develop a coding framework, which could be applied objectively in the analyses of the integrated reports.

A sample of five listed companies from three different industries was selected. Three consecutive integrated reports (a total of 45 reports) of these sample organisations were evaluated against the defined variables by using a coding frame.

The researcher supplemented the 45 integrated reports for organisations listed on the Johannesburg Stock Exchange with three integrated reports from three additional organisations from Brazil, Russia, India and China (BRIC countries). This enabled the researcher to compare the social and environmental performance of organisations listed on the Johannesburg Stock Exchange with listed organisations in other countries.

Finally, the results were analysed and reported and the research questions were answered.

4.2 Type of quantitative research

Data collection was done using a quantitative research approach. Quantitative data included financial information such as the percentage of the total revenue that an organisation spent on social and environmental initiatives and whether there was an increase or decrease in this spend over time. The researcher codified the remainder of the data collected. Coding involved the transformation of information into numbers to facilitate quantitative analysis (Bryman, 2012).

4.3 Research mechanism

The study of integrated reports constituted content analysis. Content analysis is a transparent research method that allows for clear definitions of the coding scheme and sampling procedures (Bryman, 2012). Content analysis is also an unobtrusive and highly flexible research method that can be applied to unstructured information (Bryman, 2012) such as integrated reports.

This research method has been used by other researchers such as Bouten et al. (2012) to analyse annual reports of listed Belgian and United States firms. Fifka and Meyer (2013) stated that content analysis has been the most frequently used research method for empirical studies on responsibility reporting. Ntim and Soobaroyen (2013) also used content analysis for their study of the Black Economic Empowerment disclosures by organisations in South Africa in their corporate reports.

Because this research constituted a study of integrated reports, which have been published over a period of three years, the research included elements of a longitudinal

study. The main purpose of the study, however, was exploratory in nature. Exploratory studies are aimed at finding new insights by asking new questions in an endeavour to analyse topics in a new light (Saunders & Lewis, 2012).

Integrated reporting is a fairly new concept and the related aspects such as sustainability and corporate governance are broad with no specific definitions. The exploratory study provided answers to the research questions, which will need to be followed up by research that is more detailed to gain more insight into the process of integrated reporting.

The researcher evaluated the practical considerations of the study and was of the opinion that an exploratory study was the best method for this research since it is more suited for generating theory rather than testing it (Bryman, 2012). The study included a total of 48 corporate reports. This was not sufficient for a descriptive study, which would depend on a sufficient amount of measureable and quantifiable data (Saunders & Lewis, 2012). The method of content analysis, used for this study, is well suited to exploratory studies.

4.4 Universe

The population defines the complete set of units from which the sample will be selected (Bryman, 2012). For this research study, the population was defined as all companies that have been listed on the Johannesburg Stock Exchange between 31 December 2010 and 31 December 2014. The Johannesburg Stock Exchange provided the researcher with a list of companies listed on the Johannesburg Stock Exchange from 3 January 2011 to 31 December 2014.

The relevant information was requested from the Johannesburg Stock Exchange via e-mail. The following information was received:

- A total of 406 companies were listed on the Johannesburg Stock Exchange on 3 January 2011;
- A total of 392 companies were listed on Johannesburg Stock Exchange on 31 December 2014; and
- A total of 276 companies were listed on Johannesburg Stock Exchange on both 3 January 2011 and 31 December 2014.

The sampling frame was the complete list of all these organisations that were listed between 3 January 2011 and 31 December 2014. A complete and accurate sampling frame was available, therefore probability sampling was possible.

4.5 Sampling

Stratified random sampling is a sampling method by which the sample frame is divided into relevant strata and sample members are selected from each stratum (Saunders & Lewis, 2012). The sample frame of 276 listed companies consisted of companies that were listed across different industries and therefore it was necessary to divide the sample frame into different industries or strata. The sample frame included organisations in the following industries: Basic materials, consumer goods, consumer services, financials, healthcare, industrials, oil and gas, technology, telecommunications and utilities.

The main motivation for stratification was the fact that companies in these different industries were subject to different codes and regulations. The application of the International Financial Reporting Standards in different industries also varied. Industries were faced with specific social and environmental challenges, which could influence their reporting. For example, the environmental impact of organisations in the mining industry was generally much higher than organisations in the financial services industry.

Probability sampling is the method by which each population member has an equivalent possibility of being included in the sample (Saunders & Lewis, 2012). The researcher used this method to select companies from the three industries as detailed below. The Excel RAND function was used to select the organisations:

- A total of five companies from the 56 companies in the basic materials industry (including basic resources and chemicals) were selected.
- A total of five companies from the 37 companies in the consumer services industry (including media, retail and travel and leisure) were selected.
- A total of five companies from the 60 companies in the financial industry (including banks, financial services, insurance, investment instruments and real estate) were selected.

The most recent three integrated reports of each of the organisations were studied. The last date for inclusion of published reports was reports that were published on or before 31 July 2015.

The researcher included an additional organisation in each industry that was not listed on the South African Johannesburg Stock Exchange. The organisation had to be a company from Brazil, Russia, India or China. This provided a benchmark for comparing reports published by South African companies with organisations in other countries. Integrated reporting is compulsory for South African listed companies. In some other countries, however, compiling integrated reports is viewed as best practice but it is not compulsory.

Bouten et al. (2012) stated that there are significant differences between countries with regard to social and environmental reporting. The researcher endeavoured to establish whether there were major differences in the social and environmental performance of companies listed on the Johannesburg Stock Exchange, when compared to companies outside of South Africa.

The three additional companies, not listed on the Johannesburg Stock Exchange, were selected on a non-probability basis due to the practical difficulty of obtaining sampling frames for organisations in different countries. Purposive sampling is the sampling method where the sample members are selected based on the researcher's judgement (Saunders & Lewis, 2012) and this sampling method was used to select the three international companies.

Organisations were selected based on the following criteria:

- The organisation had to be listed on a stock exchange;
- The organisation had to compile and publish a corporate report;
- The most recent report of the organisation had to be publicly available;
- The organisation had to operate in one of the countries that are included in the BRIC group of countries (Brazil, Russia, India and China);
- The organisation had to operate in either the basic materials, consumer services or financial industries.

Comparison between organisations within the three industries was completed. Thereafter comparison was done between the industries. This enabled the researcher

to compare the social and environmental performance, as described in each organisation's integrated reports, for companies in various industries. Lastly, the results were compared with those of the organisations that are not listed on the Johannesburg Stock Exchange.

4.6 Measurement instrument

Variables were evaluated using a coding schedule. The coding schedule was used to organise data. A coding manual was developed to describe the various lists of codes for various items and this was used to evaluate information. An important criterion for content analysis is to ensure that the coding manual includes sufficient detail to account for variations in the information or content to ensure that the coding schedule results in a consistent application and comparable results. The coding manual is included below:

Table 1: Coding manual

Research question	Aspect of measurement	Coding		Theoretical source
		Number	Description	
Research Question one: Does integrated reporting contribute to improved social and environmental performance by organisations over time?	1. What is the organisation's total investment in environmental sustainability or natural capital as a percentage of its profit? Natural capital is defined as renewable and non-renewable resources from the environment and includes air, water, minerals, land, forests, biodiversity and eco-system health.			(The International Integrated Reporting Framework, 2013) (Gilligan & Song, 2014)
Research Question one: Does integrated reporting contribute to improved social and environmental performance by organisations over time?	2. What is the organisation's total investment in social sustainability or social and relationship capital as a percentage of its profit? Social and relationship capital is defined as relationships within and between communities or stakeholder groups and sharing of information to improve collective and			(The International Integrated Reporting Framework, 2013)

	individual well-being.			
Research Question one: Does integrated reporting contribute to improved social and environmental performance by organisations over time?	3. One of the guiding principles of The International Integrated Reporting Framework (2013) is consistency and comparability. According to this principle, the information in the integrated report should be reported in a manner that is consistent over time and which is comparable with other organisations. Does the integrated report include clear evidence of a consistent use of quantitative information in order to compare current and past social and environmental performance?	1	The integrated report includes clear evidence of consistent use of quantitative indicators to compare current and past social and environmental performance.	(James, 2014, p. 93 & 99) (King III Report on Corporate Governance, 2009: Principle 9.2) (Butler, Henderson, & Raiborn, 2011, p. 7) (The International Integrated Reporting Framework, 2013)
		2	The integrated report includes limited evidence of consistent use of quantitative indicators to compare current and past social and environmental performance.	
		3	The integrated report includes no evidence of consistent use of indicators to enable a comparison between current and past social and environmental performance.	
Research Question two: Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?	4. Does the organisation include both leading (future-oriented) and lagging (historical) indicators to report on its social and environmental performance?	1	The organisation includes both leading and lagging indicators for reporting social and environmental performance.	(Butler, Henderson, & Raiborn, 2011, p. 2) (Hahn, 2013) (The International Integrated Reporting Framework, 2013)
		2	The organisation includes leading indicators for reporting social and environmental performance.	
		3	The organisation includes lagging indicators for reporting social and environmental performance.	
		4	The organisation does not include lagging or leading indicators for reporting social and environmental performance.	
Research Question two: Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated	5. Does the integrated report include social and environmental key performance indicators, goals, targets, or other strategic performance measurement systems for social and environmental performance? Are these key performance	1	The integrated report includes social and environmental key performance indicators, goals or targets that are clearly linked to corporate strategy and remuneration.	(James, 2014, p. 111-112) (Lydenburg, 2013, p. 48) (Butler, Henderson, & Raiborn, 2011, p. 7)
		2	The integrated report includes social and	

reports?	indicators, goals or targets related to corporate strategy and remuneration?		environmental key performance indicators, goals or targets but the link to strategy and remuneration is unclear.	(Gates & Germain, 2010, p. 6) (Searcy & Buslovich, 2014, p. 149) (Hahn, 2013)
		3	The integrated report includes limited evidence of social and environmental key performance indicators, goals, targets or strategic performance measurements.	(Ketola, 2010, p. 180) (The International Integrated Reporting Framework, 2013)
		4	The integrated report does not include evidence of social and environmental key performance indicators, goals, targets or other strategic performance measurements.	
Research Question two: Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?	6. Does the integrated report include evidence of independent assurance of social and environmental information?	1	The integrated report includes evidence of independent external assurance of social and environmental information.	(Searcy & Buslovich, 2014, p. 152) (King III Report on Corporate Governance, 2009: Principle 9.3)
		2	The integrated report includes evidence of independent internal assurance of social and environmental information.	(Hahn, 2013) (Cheng, Green, Conradie, Konishi, & Romi, 2014)
		3	The integrated report includes no evidence of independent assurance of social and environmental information.	
Research Question two: Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?	7. It is best practice for organisations to report social and environmental aspects according to the Global Reporting Initiative (GRI) guidelines: Does the organisation use the Global Reporting Initiative (GRI) guidelines or other frameworks, standards or guidelines for reporting social and environmental impacts in its integrated report?	1	The organisation adopted the Global Reporting Initiative guidelines for reporting and reports accordingly.	(Searcy & Buslovich, 2014, p. 151, p. 157, p. 158) (King III Report on Corporate Governance, 2009: Principle 9.2)
		2	The organisation stated that it has adopted the Global Reporting Initiative (GRI) guidelines but provides limited reporting according to the guidelines.	(Lydenburg, 2013) (Gates & Germain, 2010, p. 1)
		3	The organisation has not adopted the Global Reporting Initiative (GRI) guidelines for reporting but has adopted other frameworks, standards or guidelines such as ISO 14001 and ISO	(Butler, Henderson, & Raiborn, 2011, p. 9) (Bardy & Massaro, 2012, p. 164, p. 165) (Brown & Dillard, 2014, p. 2)

			2600.	(Garcia-Rodriguez, Garcia-Rodriguez, Castilla-Gutierrez, & Major, 2013, p. 375) (Tschopp & Nastanski, 2014, p.147)
		4	The organisation has not adopted any guidelines or frameworks for reporting social and environmental impacts.	
Research Question two: Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?	8. One of the guiding principles of The International Integrated Reporting Framework (2013) is stakeholder relationships. According to this principle, the report should include information on key stakeholders, their legitimate needs and interests and how the organisation takes these needs and interests into account and respond to it. Does the integrated report include evidence that the organisation understands its key stakeholders from a social and environmental sustainability point of view? Does it include the needs and interests of the relevant stakeholders in its organisational strategy as evidenced in the integrated report?	1	The integrated report includes a description of key stakeholders relevant to environmental and social sustainability. It includes a description of the needs and interests of the relevant stakeholders and how the organisation responds or plans to respond to these needs and interests.	(Devinney, Schwalbach, & Williams, 2013, p. 413) (Brown & Dillard, 2014) (Hahn, 2013, p. 447) (The International Integrated Reporting Framework, 2013) (Tschopp & Nastanski, 2014)
		2	The integrated report includes a description of key stakeholders relevant to environmental and social sustainability. It includes a description of the needs and interests of the relevant stakeholders but it does not explain how the organisation will respond to the needs and interests of the stakeholders.	(Vorster & Marais, 2014) (Cheng, Green, Conradie, Konishi, & Romi, 2014)
		3	The integrated report does not include a description of key stakeholders relevant to environmental and social sustainability. It does not include a description of the needs and interests of the relevant stakeholders or how the organisation will respond to their needs and interests.	
Research Question three: Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?	9. One of the guiding principles of The International Integrated Reporting Framework (2013) is reliability and completeness. According to this principle, material matters should be reported in a balanced way, including positive and negative effects. Does the organisation report on its positive and negative impacts on natural and social and	1	The report includes a description of the organisation's positive and negative impacts on natural, social and relationship capital and how it will address the negative effects.	(Churet & Eccles, 2014, p. 56) (The International Integrated Reporting Framework, 2013) (Bardy & Massaro, 2012, p. 158-159)
		2	The report is limited to a description of the organisation's positive and negative impacts on natural, social and relationship capital but it does not include a description of how it will	(Butler, Henderson, & Raiborn, 2011, p. 8)

	relationship capital and how it will address the negative effects?		address the negative effects.	
		3	The report is limited to a description of the organisation's positive impacts on natural and social and relationship capital.	
		4	The organisation does not report on its positive and negative impacts on natural, social and relationship capital.	
Research Question three: Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?	10. One of the guiding principles of The International Integrated Reporting Framework (2013) is materiality. According to this principle, substantive matters that affect the ability of the organisation to create value should be reported. Does the integrated report include a formal materiality assessment, which includes social and environmental aspects?	1	The integrated report includes a formal materiality assessment, which includes social and environmental aspects.	(Searcy & Buslovich, 2014, p. 158) (The International Integrated Reporting Framework, 2013)
		2	The integrated report includes a formal materiality assessment but it does not include social and environmental aspects.	
		3	The integrated report does not include a formal materiality assessment.	
Research Question three: Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?	11. Does the integrated report include both qualitative and quantitative information on key environmental and social sustainability issues and initiatives?	1	The integrated report includes both qualitative and quantitative information on key environmental and social sustainability issues and initiatives.	(Searcy & Buslovich, 2014, p. 149) (Churet & Eccles, 2014, p. 57) (Butler, Henderson, & Raiborn, 2011, p. 7) (The International Integrated Reporting Framework, 2013)
		2	The integrated report includes limited qualitative and quantitative information on key environmental and social sustainability issues and initiatives.	
		3	The integrated report includes only qualitative or quantitative information on key environmental and social sustainability issues and initiatives.	
		4	The integrated report does not include qualitative or quantitative information on key environmental and social sustainability issues and initiatives.	

<p>Research Question three:</p> <p>Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?</p>	<p>12. The board of directors are representative of stakeholders and they are central to an organisation's corporate governance. The International Integrated Reporting Framework (2013) proposes that the integrated report should include a statement from the board of directors that includes an acknowledgement that they are responsible for ensuring the integrity of the report, have applied their collective mind and that the report is in accordance with the framework. If the integrated report does not include such a statement, the board should disclose the role that they played in the report's preparation and presentation, as well as discuss the steps that will be taken to include a statement in future and the time-frame should not be later than the 3rd integrated report that references The International Integrated Reporting Framework (2013).</p>	1	The integrated report includes a statement from the board of directors in the form of an acknowledgement that they are responsible for ensuring the integrity of the report, have applied their collective mind and that the report is in accordance with The International Integrated Reporting Framework (2013).	<p>(Jeffers, Lin, Romera, & DeGaetano, 2014)</p> <p>(Ketola, 2010)</p> <p>(The International Integrated Reporting Framework, 2013)</p> <p>(Amran, Ping Lee, & Devi, 2014)</p>
		2	The integrated report includes sections of the statement as described by The International Integrated Reporting Framework (2013).	
		3	The report does not contain a statement but does include an explanation of the role the board played in preparing the report, when they will include such as a statement and the time-frame for including the statement.	
		4	The integrated report includes no statement from the board of directors to acknowledge their responsibility with regard to the integrated report.	
<p>Research Question three:</p> <p>Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?</p>	<p>13. One of the guiding principles of The International Integrated Reporting Framework (2013) is strategic focus and future orientation. According to this principle, the integrated report should explain how the organisation creates value over the short, medium and long term and how it affects social and environmental capital.</p> <p>Does the organisation report social and environmental performance over three time horizons, short-term (one year), medium-term (one to three years) and long-term (more than three years)?</p>	1	Social and environmental performance is reported over three time horizons – short-term (one year), medium-term (one to three years) and long-term (more than three years).	<p>(Churet & Eccles, 2014, p. 56)</p> <p>(The International Integrated Reporting Framework, 2013)</p> <p>(Ketola, 2010, p.174 & 178)</p> <p>(Jeffers, Lin, Romera, & DeGaetano, 2014, p. 9)</p>
		2	Social and environmental performance is reported over two time horizons – short-term (one year) and medium-term (one to three years).	
		3	Social and environmental performance is reported only over the short-term (one year).	
		4	Social and environmental performance reporting	

			does not include any time horizon.	
Research Question three: Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013), improve over time?	14. The International Integrated Reporting Framework (2013) proposes that organisations include the following eight content elements in their integrated reports: <ul style="list-style-type: none"> ○ Organisational overview and external environment ○ Governance ○ Business model ○ Risks and opportunities ○ Strategy and resource allocation ○ Performance ○ Outlook ○ Basis of preparation 	1	The integrated report includes the eight content elements as proposed by The International Integrated Reporting Framework (2013).	(The International Integrated Reporting Framework, 2013)
		2	The integrated report includes more than four of the eight content elements as proposed by The International Integrated Reporting Framework (2013).	
		3	The integrated report includes less than four of the eight content elements as proposed by The International Integrated Reporting Framework (2013).	

4.7 Analysis approach

The researcher compiled a framework constituting 14 variables, which were evaluated for each integrated report. The variables were developed from the literature review. Each variable was pre-coded. The coding manual, as detailed above, provided a detailed description of how the coding schedule was to be used for the evaluation of the content.

4.8 Research limitations

Content analysis depends on the quality of the documents available to the researcher. Although listed companies were required by the Johannesburg Stock Exchange listing requirements to produce integrated reports from 1 March 2010, many companies went through a transition period during which they still produced annual reports. The three most recent corporate reports for each organisation were used for the study, regardless of whether it was in annual report or integrated report format.

A limitation of content analysis is that some information and communication can lose its meaning when reduced to numbers. The content analysis process is also time-consuming and laborious.

Content analysis is not suited for testing causal relationships between concepts. Due to the fact that this research was an exploratory study, this was not viewed as a major weakness. The researcher took note to resist the temptation to infer any causal relationships between variables.

Coding manuals normally entail some interpretation by the coder (Bryman, 2012). The collection, evaluation and coding of data is subject to the researcher's frame of reference and values, which can result in subjectivity. The researcher was aware of the possible impact of values and personal bias on research and was committed to adhere to ethical principles and standards and endeavoured to limit subjectivity. The researcher used a single framework and coding schedule for evaluating all the reports to ensure consistency in analysis.

Further limitations included the fact that there is still no consistent understanding between organisations and stakeholders of what corporate social responsibility truly means. There is also an absence of consensus regarding the benchmarks and standards that should be used to interpret the principles of The International Integrated Reporting Framework (Cheng et al., 2014). It is complex and encompasses a wide range of aspects and issues including climate change, human rights and environmental protection (Hahn, 2013). Corporate social responsibility management and the resources and expertise available also differ significantly between organisations (Hahn, 2013) and there is a significant amount of professional judgement that underlies the preparation of integrated reports (Cheng et al., 2014).

The researcher made use of the guidance provided by The International Integrated Reporting Framework (2013). This framework, however, is not prescriptive and does not provide detailed guidelines regarding the key performance indicators or disclosures that should be included in integrated reports. Brown and Dillard (2014) stated that the design and meaning of integrated reporting is still far from being solidified. The researcher has endeavoured to supplement the information contained in the framework with theory and research findings provided by other writers in academic journals.

The results of the research study, discussed per research question, are presented in the next chapter in the form of graphs and tables, followed by a detailed discussion of the results in Chapter six.

CHAPTER 5: DISCUSSION OF RESULTS

This chapter provides a description of the samples obtained from the financial services industry, the basic materials industry and the consumer services industry. A short description of each of the three organisations from Russia, India and China that were included for comparison purposes, is also included.

A discussion of the data validity and reliability is followed by a presentation of the research results per research question. The research results are presented in the form of tables and graphs.

5.1 Description of samples obtained

The following section provides a description of the probability samples drawn from the financial services industry, the basic materials industry and the consumer services industry (appendix one) as well as information regarding the three additional companies from India, China and Russia which were selected for inclusion in the research via purposive sampling.

The financial services industry

The Johannesburg Stock Exchange provided the researcher with a list of companies that were listed on the exchange between 3 January 2011 and 31 December 2014. Companies were classified according to their specific industry. The researcher used a probability sampling technique to identify five companies for inclusion in the study. The five companies listed on the Johannesburg Stock Exchange that were included in the study were:

- RMB Holdings Limited
- Finbond Group Limited
- Nedbank Group Limited
- Firstrand Limited
- Capitec Holdings Limited

A company listed on the Bombay Stock Exchange, the Bank of India, was included for comparison using the purposive sampling method.

From the five companies in the financial services that were included in the research study, one company (RMB Holdings Limited) produced three integrated reports with very limited information. The company stated, in the three reports, that its social and environmental information was incorporated with that of the holding company. As a result, the three reports published by the company did not contribute meaningfully to the research results in the financial services industry.

The integrated reports of the companies listed on the Johannesburg Stock Exchange were compared with the most recent report published by the Bank of India. The Bank of India was founded in 1906 and was under private ownership and control until July 1969 when it was nationalised along with 13 other banks. Presently, the bank has an international presence in 22 foreign countries spread over five continents, 56 offices including five subsidiaries, five representative offices and one joint venture at significant banking and financial centres including Tokyo, Singapore, Hong Kong, London, Jersey, Paris and New York. The Bank of India is listed on the Bombay Stock Exchange.

The basic materials industry

Companies from the basic materials industry were included using a probability sampling technique from the universe of listed companies that was requested from the Johannesburg Stock Exchange. The sample of companies from the basic materials industry included companies in the forestry and paper sector and the industrial mining and materials sector. The five companies listed on the Johannesburg Stock Exchange that were included were:

- York Timber Holdings Limited
- Mondi plc.
- Sappi Limited
- African Eagle Resources plc.
- ArcelorMittal South Africa Limited

A company listed on the Moscow Stock Exchange in Russia, Magnitogorsk Iron & Steel Works, was included for comparison using a purposive sampling method.

The 2012, 2013 and 2014 corporate reports for all the companies were available with the exception of one company, African Eagle Resources plc. that did not compile and publish a corporate report for 2014 report due to financial difficulties. The company was still listed on 31 December, which was a requirement for inclusion in the probability sample, although its shares were suspended in August 2014. The company's 2012 and 2013 reports also included minimal information (the 2013 annual report was only 28 pages in total). As a result, the reports published by the company did not contribute meaningfully to the research results in the basic materials industry.

The integrated reports of companies listed on the Johannesburg Stock Exchange were compared with the most recent report published by the Magnitogorsk Iron & Steel Works (MMK), listed on the Moscow Stock Exchange and the London Stock Exchange that was identified for inclusion in the study via purposive sampling. Magnitogorsk is one of the world's largest steel producers and a leading Russian metals company. The company produces a broad range of steel products.

Consumer services industry

Companies in the consumer services industry were included in the research study using probability sampling. The sample of companies from the consumer services industry included companies in the publishing sector, the broadcasting and entertainment sector and one food and drug retailer. The five companies listed on the Johannesburg Stock Exchange that were included were:

- Clicks Group Limited
- African Media Entertainment Limited
- Naspers Limited
- Money Web Holdings Limited
- Caxton CTP Publishing and Printing

A company listed on the Hong Kong Stock Exchange in China, Tencent Holdings Limited, was included for comparison using a purposive sampling method.

The researcher analysed the 2012, 2013 and 2014 reports of four of the companies in the consumer services industry and the 2013, 2014 and 2015 reports for one company. One company, Money Web Holdings Limited, published corporate reports with very limited social and environmental performance information which resulted in insufficient

content available for analysis. As a result, the three reports published by the company did not contribute meaningfully to the research results of the consumer services industry.

The integrated reports of companies listed on the Johannesburg Stock Exchange were compared with the most recent report published by Tencent Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. Tencent provides internet, mobile and telecom services and online advertising services.

5.2 Validity and reliability of the data

5.2.1 Data validity

The selection of the sample of companies listed on the Johannesburg Stock Exchange was based on a probability sampling method. Therefore the researcher is of the opinion that these companies, and the corporate reports published by these organisations, are representative of the population.

Due to the large volumes of unstructured information contained in corporate reports, the researcher used a coding frame to analyse the data to ensure an objective evaluation of the reports. However, the large volumes of qualitative information were difficult to analyse and compare and the researcher's own biases and perceptions may have had an impact on the evaluation of the data.

One company in the basic materials industry was removed from the Johannesburg Stock Exchange after 31 December 2014, which was the qualifying date for companies to be included in the universe and the probability sample. As a result of its de-listing, the company did not publish a corporate report for 2014. The researcher included the analysis of the 2012 and 2013 reports of the company and repeated the 2013 results for 2014 to ensure a comprehensive study.

5.2.2 Data reliability

This research study was conducted by analysing the content included in the integrated reports published by companies listed on the Johannesburg Stock Exchange. The data were evaluated by the researcher only using a structured process aimed at standardising the process in an effort to keep errors from the researcher to a minimum.

Sampling bias as described by Bryman (2012) was minimised by using probability sampling from three different strata. Each company had the same probability of being included in the sample. The use of probability sampling also resulted in the minimum sampling error (Bryman, 2012) which meant that the results are generalisable to the other companies in the sampling population. Non-response was not a challenge in this research because companies are legally required to publish their corporate reports annually.

5.3 Data transformations

The coding framework ensured that the researcher consistently applied the same criteria for analysing information. The first two sub-questions in the research study sought to determine the monetary investments of companies in social and environmental initiatives. The researcher consistently used the information that companies published as part their “value added statements” to determine the monetary value of their corporate social responsibility and environmental investments. This was expressed as a percentage of each company’s “net profit attributable to shareholders” that was included in each company’s statement of comprehensive income.

5.4 Research results

The research results for the three research questions are explained below for each industry. The results included an analysis of each industry and a longitudinal analysis for the period from 2012 to 2014. The results of each industry were compared with the corporate report of one company from either Russia, India or China.

The comparison of results over time included the results of the reports published from 2012 to 2014. The researcher excluded the 2015 results in this longitudinal analysis because there were too few reports published to contribute meaningfully to the results. However, the results of the 2015 reports were included in the industry comparisons.

5.4.1 Research results for Research Question one

Three sub-questions were included in the coding frame to address the variables relating to Research Question one: “Does integrated reporting contribute to improved social and environmental performance by organisations over time?”

The sub-questions related to each company’s investment in social and environmental capital over time and the inclusion of quantitative indicators in the integrated report to report on social and environmental performance. The results of the three sub-questions are detailed below:

5.4.1.1 *Research results for sub-question one*

Sub-question one was “what is the organisation’s total investment in environmental sustainability or natural capital as a percentage of profit?” The results for the three industries included in the study were as follows:

Financial services industry

The integrated reports published by four of the five companies in the financial services industry included no information regarding their investment in environmental sustainability in monetary terms. One company reported investments of R7 million and R3,8 million for 2013 and 2014 respectively, which were marginal as a percentage of total profit. Overall, the reports of companies in the financial industry did not include information regarding monetary investments in environmental sustainability.

The results of the reports published by the Johannesburg Stock Exchange listed companies were inferior when compared to the report published by the Bank of India (Bombay Stock Exchange) that reported comprehensively on its initiatives to protect the environment. The report included the company’s investments in environmental initiatives as part of its investment into corporate social responsibility and delineated three separate projects. The report included the monetary value of the donations/programmes that the bank supported for the period under review.

Basic materials industry

Although the majority of companies in the basic materials industry reported on environmental sustainability aspects in qualitative terms, none of the reports included details regarding the monetary value of environmental investments.

The results of the reports published by the Johannesburg Stock Exchange listed companies were inferior when compared to the report published by Magnitogorsk Iron & Steel Works (Moscow Stock Exchange) that included extensive details about the company's environmental sustainability. The report stated that Magnitogorsk Iron & Steel Works had invested 1 671.7 million Roubles in its 2014 environmental programme. Unfortunately the researcher could not express this investment as a percentage of the company's net profit as its financials were presented in US Dollar and the report included no information regarding exchange rates at the time of reporting. The report included both monetary details and qualitative descriptions of the various initiatives in which the company had invested.

Consumer services industry

None of the integrated reports published by companies in the consumer services industry included information regarding the companies' monetary investments in environmental sustainability.

The results of the reports published by the Johannesburg Stock Exchange listed companies were consistent with the report published by Tencent Holdings (Hong Kong Stock Exchange) which also did not include any information regarding the company's monetary investment in environmental sustainability.

Consolidated results

With the exception of two reports published by one company in the financial services industry (which included very limited environmental sustainability investment details), the remainder of the integrated reports of companies included in the samples did not include information regarding their monetary investment in environmental sustainability.

5.4.1.2 Research results for sub-question two

Sub-question two was “what is the organisation’s total investment in social sustainability or social and relationship capital as a percentage of its profit?” The detailed results for the three industries are included as Appendix 2. The summarised results for the three industries are presented below. The average investment is presented for all the companies that reported their monetary investment.

Table 2: Results for sub-question two

Industry	Average investment in social sustainability 2012 (% of net profit)	Average investment in social sustainability 2013 (% of net profit)	Average investment in social sustainability 2014 (% of net profit)	Average investment in social sustainability 2015 (% of net profit)	Percentage of companies that included no information on social sustainability investment
Financial Services	1,00%	0,91%	0,73%	1,13%	20,00%
Basic materials	3,90%	4,21%	4,21%	No 2015 reports available	46,67%
Consumer services	1,02%	1,84%	1,10%	No information included	80,00%
Consolidated results	1,97%	2,32%	2,01%	1,13%	49,00%

A total of 49,00% of reports included no information regarding the companies’ investments in social sustainability. The research results also indicated that companies did not significantly increase their investments corporate social responsibility from 2012 to 2015.

The results published by the Johannesburg Stock Exchange listed companies were inferior when compared to two of the reports published by the companies from India and Russia. The report published by the Bank of India (Bombay Stock Exchange) provided detailed information regarding different categories of corporate social responsibility investments and the monetary value of each initiative. The report stated that the total spend on corporate social responsibility was 0,69% of profit after tax.

The annual report of Magnitogorsk Iron & Steel Works (Moscow Stock Exchange) stated that it had allocated 1,55 billion Roubles to social responsibility initiatives and included details regarding the different initiatives. Unfortunately the researcher could not express this investment as a percentage of the company’s net profit as its financials were presented in US Dollar and the report included no information regarding

exchange rates at the time of reporting. The report published by Chinese company, Tencent Holdings Limited (Hong Kong Stock Exchange), did not include any information regarding its environmental performance or investments.

5.4.1.3 Research results for sub-question three

Sub-question three was “does the integrated report include clear evidence of a consistent use of quantitative information in order to compare current and past social and environmental performance?” The results for the three industries included in the study were as follow:

Financial services industry

Table 3: Results for sub-question three - Financial services industry

Entity	No evidence of quantitative information to enable comparison	Limited evidence of quantitative information to enable comparison	Clear evidence of quantitative information to enable comparison
Johannesburg Stock Exchange listed companies	33,33%	40,00%	26,67%
Bombay Stock Exchange listed company	x		

Basic materials industry

Table 4: Results for sub-question three – Basic materials industry

Entity	No evidence of quantitative information to enable comparison	Limited evidence of quantitative information to enable comparison	Clear evidence of quantitative information to enable comparison
Johannesburg Stock Exchange listed companies	26,67%	13,33%	60,00%
Moscow Stock Exchange listed company			x

Consumer services industry

Table 5: Results for sub-question three - Consumer services industry

Entity	No evidence of quantitative information to enable comparison	Limited evidence of quantitative information to enable comparison	Clear evidence of quantitative information to enable comparison
Johannesburg Stock Exchange listed companies	46,67%	53,33%	0,00%
Hong Kong Stock Exchange listed company	x		

Consolidated results

The graphs below describe the research results for the three industries combined and the present results over the three years from 2012 to 2014.

Figure 1: Evidence of consistent use of quantitative information for comparison with past performance

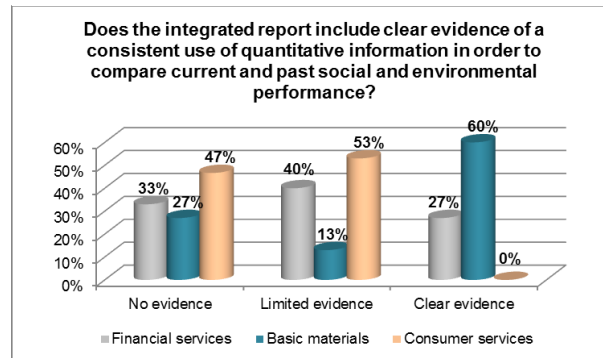
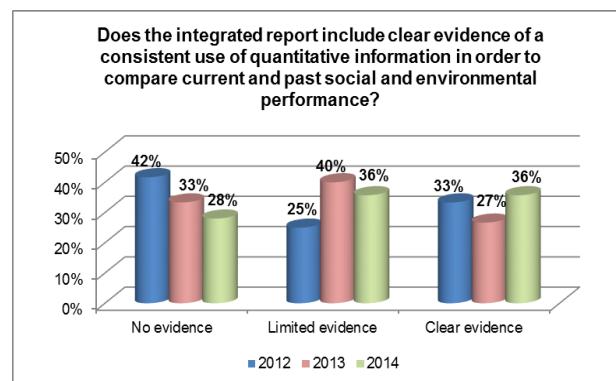


Figure 2: Evidence of an increased use of quantitative information from 2012 to 2014



5.4.2 Research results for Research Question two

Three sub-questions were included in the coding frame to address the variables relating to Research Question two, which was: “Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?”

The sub-questions related to the inclusion of leading and lagging social and environmental indicators in the report, the inclusion of key performance indicators relating to social and environmental issues and the relation thereof to strategy and

remuneration and finally whether reports were assured. The results of the three sub-questions are detailed below.

5.4.2.1 Research results for sub-question four

Sub-question four was “does the organisation include both leading (future-oriented) and lagging (historical) indicators to report on its social and environmental performance?” The results for the three industries included in the study were as follow:

Financial services industry

Table 6: Results for sub-question four - Financial services industry

Entity	No leading or lagging indicators	Only lagging indicators	Only leading indicators	Both leading and lagging indicators
Johannesburg Stock Exchange listed companies	33,33%	40,00%	0,00%	26,67%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 7: Results for sub-question four - Basic materials industry

Entity	No leading or lagging indicators	Only lagging indicators	Only leading indicators	Both leading and lagging indicators
Johannesburg Stock Exchange listed companies	26,67%	60,00%	0,00%	13,33%
Moscow Stock Exchange listed company		x		

Consumer services industry

Table 8: Results for sub-question four - Consumer services industry

Entity	No leading or lagging indicators	Only lagging indicators	Only leading indicators	Both leading and lagging indicators
Johannesburg Stock Exchange listed companies	80,00%	20,00%	0,00%	0,00%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The graphs below describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 3: Inclusion of both leading and lagging indicators to report on social and environmental performance

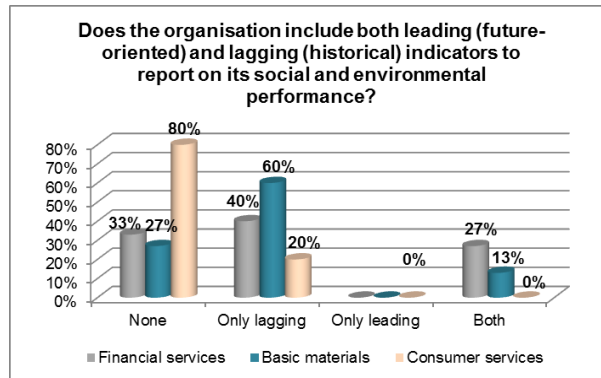
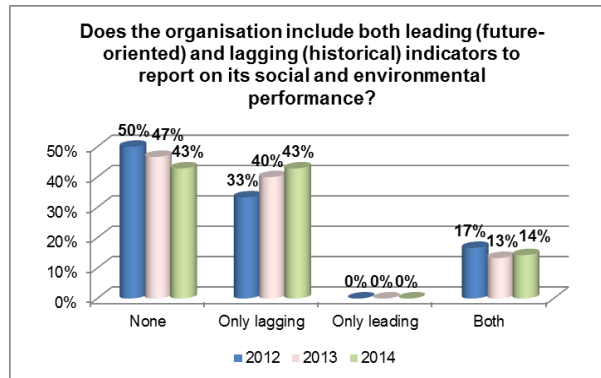


Figure 4: Evidence of the inclusion of leading and lagging indicators from 2012 to 2014



5.4.2.2 Research results for sub-question five

Sub-question five was “does the integrated report include social and environmental key performance indicators, targets or other measurements for performance and are these linked to corporate strategy and remuneration?” The results for the three industries included in the study were as follow:

Financial services industry

Table 9: Results for sub-question five - Financial services industry

Entity	No evidence of performance indicators and link to strategy and remuneration	Limited evidence of performance indicators and link to strategy and remuneration	Evidence of performance indicators but link to strategy and remuneration is unclear	Includes key performance indicators, goals or targets - link strategy and remuneration
Johannesburg Stock Exchange listed companies	80,00%	0,00%	0,00%	20,00%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 10: Results for sub-question five – Basic materials industry

Entity	No evidence of performance indicators and link to strategy and remuneration	Limited evidence of performance indicators and link to strategy and remuneration	Evidence of performance indicators but link to strategy and remuneration is unclear	Includes key performance indicators, goals or targets - link strategy and remuneration
Johannesburg Stock Exchange listed companies	40,00%	0,00%	60,00%	0,00%
Moscow Stock Exchange listed company				x

Consumer services industry

Table 11: Results for sub-question five - Consumer services industry

Entity	No evidence of performance indicators and link to strategy and remuneration	Limited evidence of performance indicators and link to strategy and remuneration	Evidence of performance indicators but link to strategy and remuneration is unclear	Includes key performance indicators, goals or targets - link strategy and remuneration
Johannesburg Stock Exchange listed companies	80,00%	0,00%	20,00%	0,00%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The graphs below describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 5: Inclusion of social and environmental KPIs or targets linked to corporate strategy or remuneration

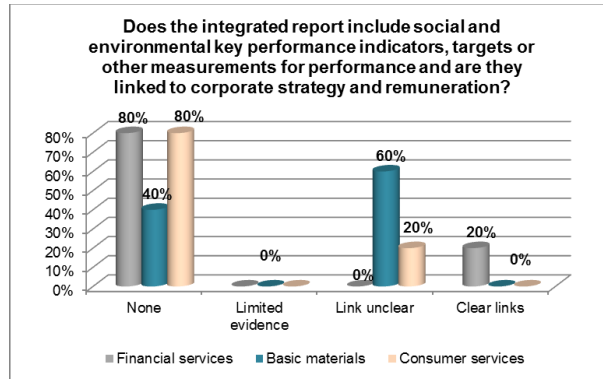
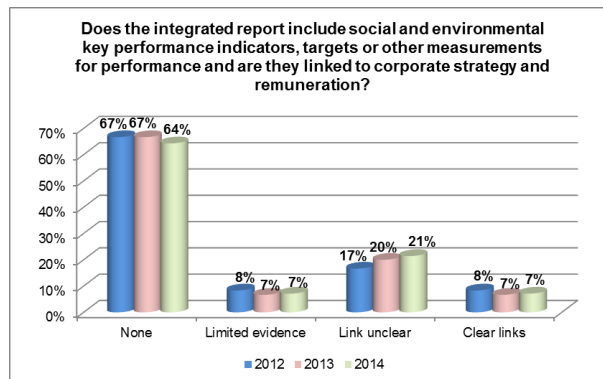


Figure 6: Evidence of the inclusion of social and environmental KPIs from 2012 to 2014



5.4.2.3 Research results for sub-question six

Sub-question six was “does the integrated report include evidence of independent assurance of social and environmental information?” The results for the three industries included in the study were as follow:

Financial services industry

Table 12: Results for sub-question six - Financial services industry

Entity	No assurance	Independent internal assurance	Independent external assurance
Johannesburg Stock Exchange listed companies	73,33%	6,67%	20,00%
Bombay Stock Exchange listed company	x		

Basic materials industry

Table 13: Results for sub-question six - Basic materials industry

Entity	No assurance	Independent internal assurance	Independent external assurance
Johannesburg Stock Exchange listed companies	46,67%	40,00%	13,33%
Moscow Stock Exchange listed company	x		

Consumer services industry

Table 14: Results for sub-question six - Consumer services industry

Entity	No assurance	Independent internal assurance	Independent external assurance
Johannesburg Stock Exchange listed companies	40,00%	60,00%	0,00%
Hong Kong Stock Exchange listed company	x		

Consolidated results

The following graphs describe the research results for the three industries combined and the present results over the three years from 2012 to 2014.

Figure 7: Evidence of independent assurance of social and environmental information

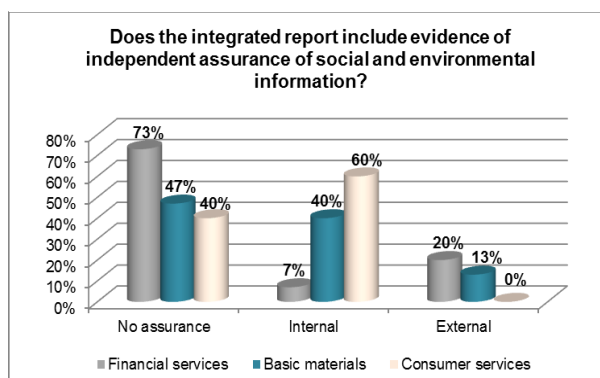
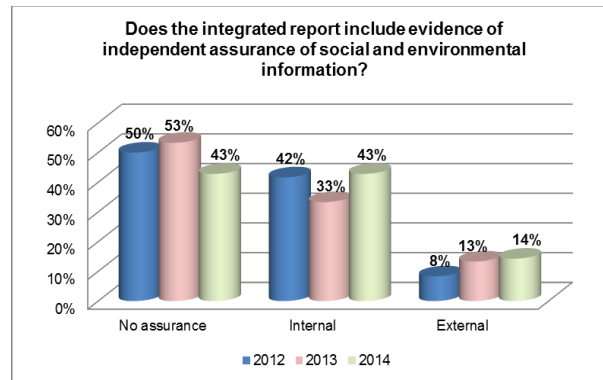


Figure 8: Evidence of an increase in independent assurance from 2012 to 2014



5.4.3 Research results for Research Question three

Seven sub-questions were included in the coding frame to address variables relating to Research Question three, which was: “Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013) improve over time?”

The sub-questions related to the use of recognised guidelines and/or standards for reporting, the inclusion of stakeholder needs and interests, reporting of both positive and negative social and environmental performance, the materiality determination process, inclusion of qualitative and quantitative information, reporting over different time horizons, responsibility taken by the governance body and the inclusion of the content elements as proposed by The International Integrated Reporting Framework (2013). The results of the seven sub-questions are as follow:

5.4.3.1 Research results for sub-question seven

Sub-question seven was “does the organisation use the Global Reporting Initiative (GRI) guidelines or other frameworks, standards or guidelines for reporting social and environmental impacts in the integrated report?” The results for the three industries included in the study were as follow:

Financial services industry

Table 15: Results for sub-question seven - Financial services industry

Entity	No guidelines or frameworks used for reporting	Adopted other frameworks, standards or guidelines	Limited Global Reporting Initiative reporting	Adopted the Global Reporting Initiative guidelines
Johannesburg Stock Exchange listed companies	33,33%	13,33%	33,33%	20,00%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 16: Results for sub-question seven - Basic materials industry

Entity	No guidelines or frameworks used for reporting	Adopted other frameworks, standards or guidelines	Limited Global Reporting Initiative reporting	Adopted the Global Reporting Initiative guidelines
Johannesburg Stock Exchange listed companies	40,00%	13,33%	0,00%	46,67%
Moscow Stock Exchange listed company		x		

Consumer services industry

Table 17: Results for sub-question seven - Consumer services industry

Entity	No guidelines or frameworks used for reporting	Adopted other frameworks, standards or guidelines	Limited Global Reporting Initiative reporting	Adopted the Global Reporting Initiative guidelines
Johannesburg Stock Exchange listed companies	40,00%	33,33%	0,00%	26,67%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 9: Use of GRI guidelines for reporting social and environmental impacts in integrated reports

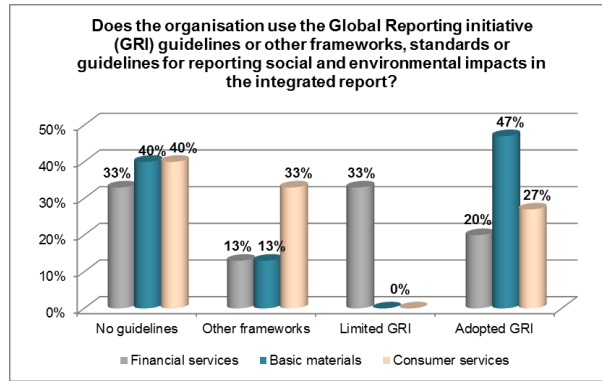
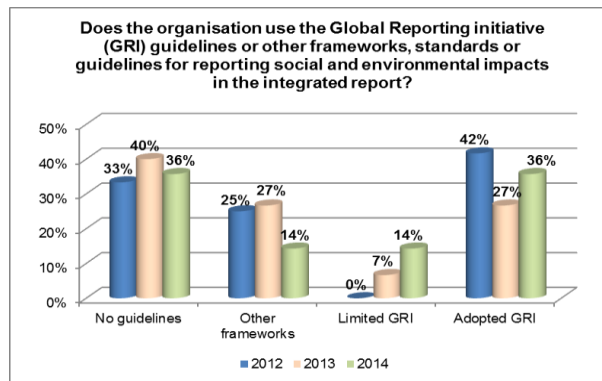


Figure 10: Evidence of the use of GRI guidelines from 2012 to 2014



5.4.3.2 Research results for sub-question eight

Sub-question eight was “does the integrated report include evidence that the organisation understands its key stakeholders from an environmental and social sustainability point of view? Does it include their needs in its strategy as evidenced in the integrated report?” The results for the three industries included in the study were as follow:

Financial services industry

Table 18: Results for sub-question eight - Financial services industry

Entity	No stakeholder identification or engagement included	Stakeholders identified but does not detail the company's response to them	Description of key stakeholders, needs and interests and response
Johannesburg Stock Exchange listed companies	33,33%	46,67%	20,00%
Bombay Stock Exchange listed company			x

Basic materials industry

Table 19: Results for sub-question eight - Basic materials industry

Entity	No stakeholder identification or engagement included	Stakeholders identified but does not detail the company's response to them	Description of key stakeholders, needs and interests and response
Johannesburg Stock Exchange listed companies	40,00%	13,33%	46,67%
Moscow Stock Exchange listed company			x

Consumer services industry

Table 20: Results for sub-question eight - Consumer services industry

Entity	No stakeholder identification or engagement included	Stakeholders identified but does not detail the company's response to them	Description of key stakeholders, needs and interests and response
Johannesburg Stock Exchange listed companies	73,33%	6,67%	20,00%
Hong Kong Stock Exchange listed company	x		

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 11: Inclusion of evidence that organisation understands key stakeholders from social/environmental perspective

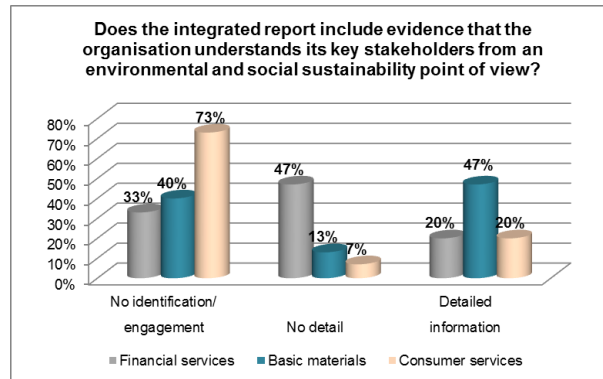
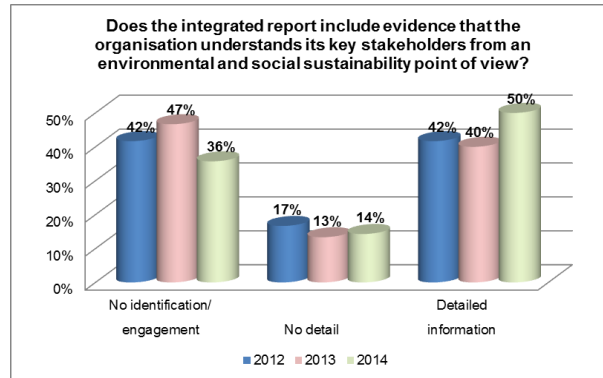


Figure 12: Evidence that stakeholder analysis include social and environmental stakeholders from 2012 to 2014



5.4.3.3 Research results for sub-question nine

Sub-question nine was “does the organisation report on its positive and negative impacts on natural and social and environmental capital and how it will address the negative effects?” The results for the three industries included in the study were as follow:

Financial services industry

Table 21: Results for sub-question nine - Financial services industry

Entity	No positive and/or negative impacts described	Limited to a description of the company's positive impact	Does not include a description of how the company will address the negative effects	Describe positive and negative impacts and how the company will address the negative effects
Johannesburg Stock Exchange listed companies	53,33%	26,67%	0,00%	20,00%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 22: Results for sub-question nine - Basic materials industry

Entity	No positive and/or negative impacts described	Limited to a description of the company's positive impact	Does not include a description of how the company will address the negative effects	Describe positive and negative impacts and how the company will address the negative effects
Johannesburg Stock Exchange listed companies	26,67%	0,00%	20,00%	53,33%
Moscow Stock Exchange listed company				x

Consumer services industry

Table 23: Results for sub-question nine - Consumer services industry

Entity	No positive and/or negative impacts described	Limited to a description of the company's positive impact	Does not include a description of how the company will address the negative effects	Describe positive and negative impacts and how the company will address the negative effects
Johannesburg Stock Exchange listed companies	60,00%	26,67%	0,00%	13,33%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 13: Reporting on both positive and negative impacts on natural, social and environmental capital

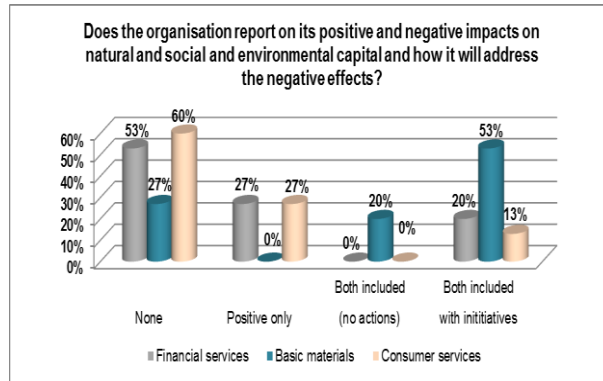
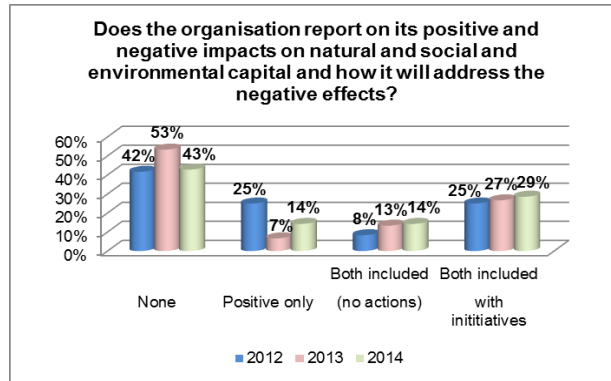


Figure 14: Evidence of reporting both positive and negative impacts from 2012 to 2014



5.4.3.4 *Research results for sub-question ten*

Sub-question ten was “does the integrated report include a formal materiality assessment, which includes social and environmental aspects?” The results for the three industries included in the study were as follows:

Financial services industry

Table 24: Results for sub-question ten - Financial services industry

Entity	No formal materiality assessment	Materiality assessment included but does not include social and environmental aspects	Formal materiality assessment including social and environmental aspects
Johannesburg Stock Exchange listed companies	60,00%	20,00%	20,00%
Bombay Stock Exchange listed company	x		

Basic materials industry

Table 25: Results for sub-question ten - Basic materials industry

Entity	No formal materiality assessment	Materiality assessment included but does not include social and environmental aspects	Formal materiality assessment including social and environmental aspects
Johannesburg Stock Exchange listed companies	46,67%	0,00%	53,33%
Moscow Stock Exchange listed company			x

Consumer services industry

Table 26: Results for sub-question ten - Consumer services industry

Entity	No formal materiality assessment	Materiality assessment included but does not include social and environmental aspects	Formal materiality assessment including social and environmental aspects
Johannesburg Stock Exchange listed companies	60,00%	40,00%	0,00%
Hong Kong Stock Exchange listed company	x		

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 15: Inclusion of formal materiality assessment

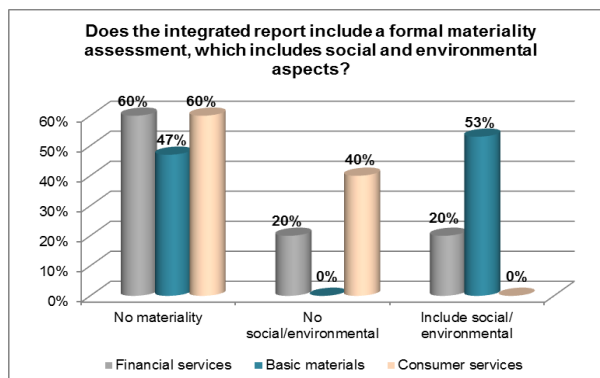
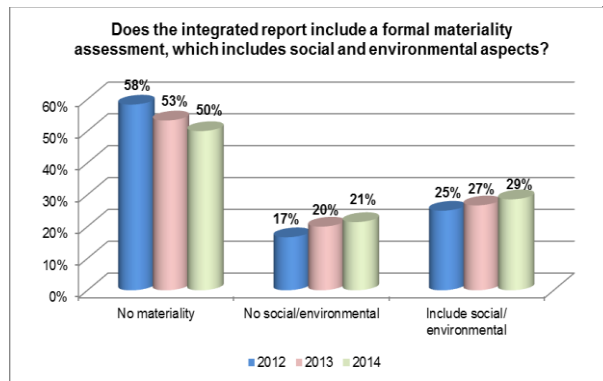


Figure 16: Evidence of the inclusion of formal materiality assessments from 2012 to 2014



5.4.3.5 Research results for sub-question 11

Sub-question 11 was “does the integrated report include both qualitative and quantitative information on key environmental and social sustainability issues and initiatives?” The results for the three industries included in the study were as follow:

Financial services industry

Table 27: Results for sub-question 11 - Financial services industry

Entity	No qualitative or quantitative information included	Only qualitative or quantitative information included	Both qualitative and quantitative information included but very limited	Both qualitative and quantitative information
Johannesburg Stock Exchange listed companies	20,00%	26,67%	26,67%	26,67%
Bombay Stock Exchange listed company				x

Basic materials industry

Table 28: Results for sub-question 11 - Basic materials industry

Entity	No qualitative or quantitative information included	Only qualitative or quantitative information included	Both qualitative and quantitative information included but very limited	Both qualitative and quantitative information
Johannesburg Stock Exchange listed companies	26,67%	0,00%	13,33%	60,00%
Moscow Stock Exchange listed company				x

Consumer services industry

Table 29: Results for sub-question 11 - Consumer services industry

Entity	No qualitative or quantitative information included	Only qualitative or quantitative information included	Both qualitative and quantitative information included but very limited	Both qualitative and quantitative information
Johannesburg Stock Exchange listed companies	20,00%	40,00%	40,00%	0,00%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 17: Inclusion of qualitative and quantitative information for key social and environmental sustainability issues

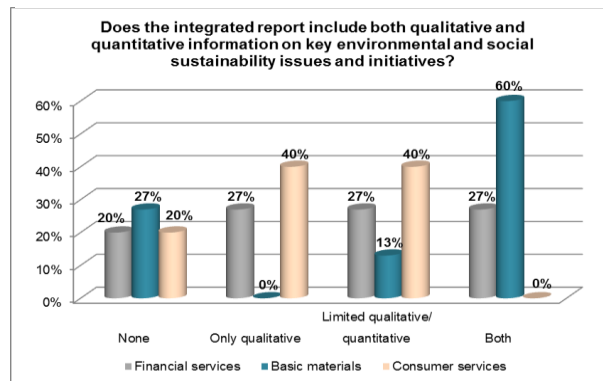
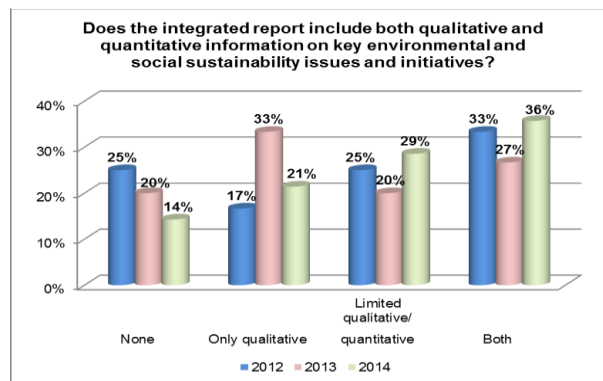


Figure 18: Evidence of the inclusion of qualitative and quantitative indicators from 2012 to 2014



5.4.3.6 Research results for sub-question 12

Sub-question 12 was “does the integrated report include a statement by the board of directors that they take responsibility for the integrity of the report and that it was compiled in accordance with the proposed framework as detailed in The International Integrated Reporting Framework (2013)?” The results for the three industries included in the study were as follow:

Financial services industry

Table 30: Results for sub-question 12 - Financial services industry

Entity	No statement by the Board	Explanation why no statement is included	Sections of a statement included	Statement of responsibility for the report included
Johannesburg Stock Exchange listed companies	80,00%	0,00%	6,67%	13,33%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 31: Results for sub-question 12 - Basic materials industry

Entity	No statement by the Board	Explanation why no statement is included	Sections of a statement included	Statement of responsibility for the report included
Johannesburg Stock Exchange listed companies	46,67%	0,00%	26,67%	26,67%
Moscow Stock Exchange listed company	x			

Consumer services industry

Table 32: Results for sub-question 12 - Consumer services industry

Entity	No statement by the Board	Explanation why no statement is included	Sections of a statement included	Statement of responsibility for the report included
Johannesburg Stock Exchange listed companies	40,00%	0,00%	20,00%	40,00%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 19: Inclusion of statement by board of directors regarding their responsibility and integrity of report

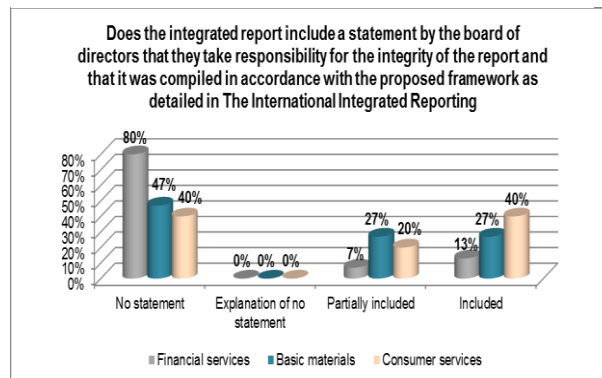
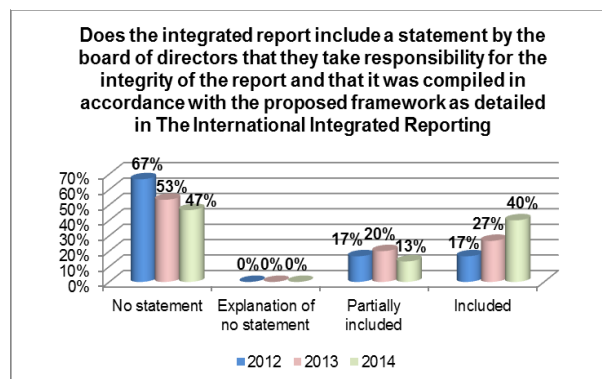


Figure 20: Evidence of the inclusion of responsibility statements by the board of directors from 2012 to 2014



5.4.3.7 Research results for sub-question 13

Sub-question 13 was “does the organisation report social and environmental performance over three horizons – short-term (one year), medium-term (one to three years) and long-term (more than three years)?” The results for the three industries included in the study were as follow:

Financial services industry

Table 33: Results for sub-question 13 - Financial services industry

Entity	No time horizon included	Only short- term descriptions included	Only short and medium-term descriptions	All three horizons included (short, medium and long-term)
Johannesburg Stock Exchange listed companies	40,00%	33,33%	6,67%	20,00%
Bombay Stock Exchange listed company	x			

Basic materials industry

Table 34: Results for sub-question 13 – Basic materials industry

Entity	No time horizon included	Only short- term descriptions included	Only short and medium-term descriptions	All three horizons included (short, medium and long-term)
Johannesburg Stock Exchange listed companies	40,00%	40,00%	20,00%	0,00%
Moscow Stock Exchange listed company	x			

Consumer services industry

Table 35: Results for sub-question 13 - Consumer services industry

Entity	No time horizon included	Only short- term descriptions included	Only short and medium-term descriptions	All three horizons included (short, medium and long-term)
Johannesburg Stock Exchange listed companies	80,00%	0,00%	20,00%	0,00%
Hong Kong Stock Exchange listed company	x			

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 21: Reporting on social and environmental performance over three time horizons

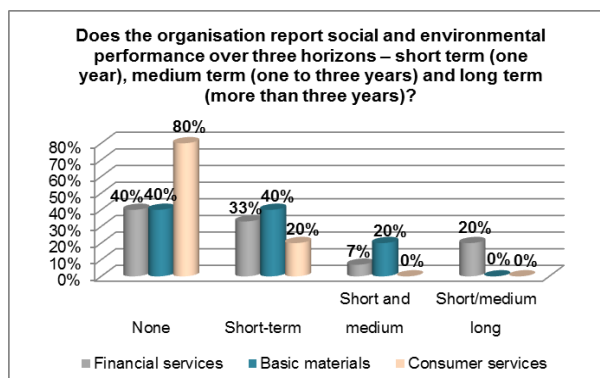
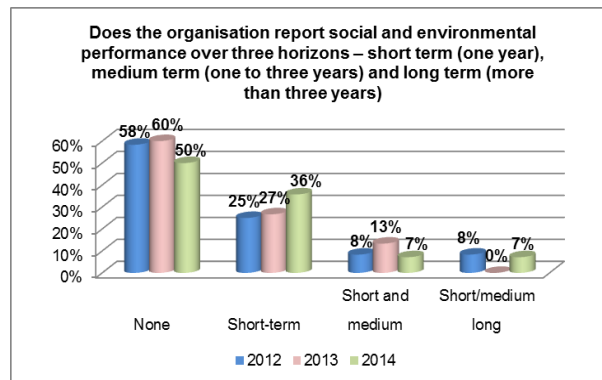


Figure 22: Evidence of the inclusion of three time horizons from 2012 to 2014



5.4.3.8 Research results for sub-question 14

Sub-question 14 was “does the report include the eight content elements proposed by The International Integrated Reporting Framework (2013), which includes organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation?” The results for the three industries included in the study were as follow:

Financial services industry

Table 36: Results for sub-question 14 - Financial services industry

Entity	Less than four content elements included	More than four content elements included	All eight content elements included
Johannesburg Stock Exchange listed companies	40,00%	40,00%	20,00%
Bombay Stock Exchange listed company		x	

Basic materials industry

Table 37: Results for sub-question 14 - Basic materials industry

Entity	Less than four content elements included	More than four content elements included	All eight content elements included
Johannesburg Stock Exchange listed companies	40,00%	40,00%	20,00%
Moscow Stock Exchange listed company		x	

Consumer services industry

Table 38: Results for sub-question 14 - Consumer services industry

Entity	Less than four content elements included	More than four content elements included	All eight content elements included
Johannesburg Stock Exchange listed companies	60,00%	40,00%	0,00%
Hong Kong Stock Exchange listed company	x		

Consolidated results

The following graphs describe the research results for the three industries combined and present the results over the three years from 2012 to 2014.

Figure 23: Inclusion of eight content elements

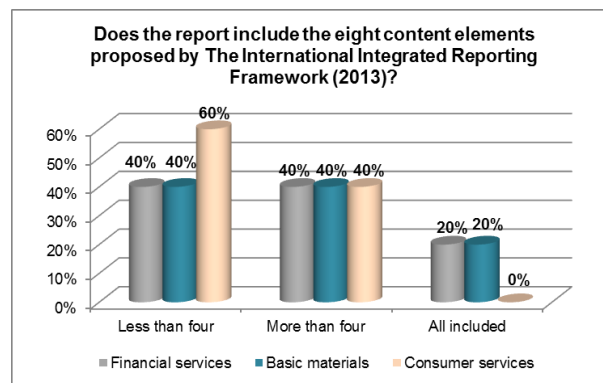
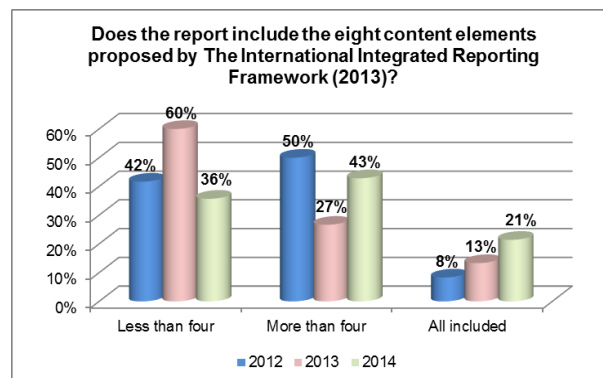


Figure 24: Inclusion of eight content elements from 2012 to 2014



The results presented in this chapter are discussed comprehensively in Chapter six. The discussion of the results includes references to the literature that was reviewed and presented in Chapter two of this research report. The discussion is aimed at concluding the three research questions defined in Chapter three.

CHAPTER 6: DISCUSSION OF RESULTS

This chapter discusses the results that were presented in Chapter five. Three research questions were formulated in Chapter three and this chapter provides a detailed discussion of each of the three research questions as well as the 14 sub-questions that informed the research questions. Conclusions to the research questions are also stated in this chapter.

6.1 Discussion of Research Question one

Does integrated reporting contribute to improved social and environmental performance by organisations over time?

6.1.1 Discussion of sub-question one

Sub-question one: “What is the organisation’s total investment in environmental sustainability or natural capital as a percentage of its profit?”

Current market systems are not contributing to ensure that the value of natural capital including clean air, sustainable ecosystems and water are adequately priced. As a result, the cost of environmental degradation is largely borne by communities where the resources are located because the companies that contribute to the degradation externalise the cost (Lydenburg, 2013; Brown & Dillard, 2014).

Companies will need to accept their responsibility towards protecting the environment to ensure sustainable capitalism. If companies do not accept this responsibility, there will most probably be an increase in environmental legislation and policy over the longer term (Gilligan & Song, 2014).

In terms of their investment in environmental sustainability as a percentage of net profit, the integrated reports of companies in the financial services industry, the basic materials industry and the consumer services industry do not include this information. The only exception was one company in the financial services industry that reported

investments of R7 million and R3,8 million in 2013 and 2014 respectively. However, these investments constituted only a fraction of the company's net profit.

Although the majority of companies in the basic materials industry reported extensively on their environmental performance, the reports did not include information on the actual annual monetary value of their environmental investments. None of the companies in the consumer services industry included any reference to their monetary investment towards environmental sustainability in their reports.

From the research, no evidence was found that the investment in environmental sustainability by companies listed on the Johannesburg Stock Exchange, expressed in monetary terms, increased over time. These results were consistent with the statement made by Butler et al. (2011) that sustainability measures are often reported quantitatively (such as carbon emissions) however, companies find it difficult to report on environmental sustainability performance in monetary terms and often fail to integrate sustainability information meaningfully into traditional financial analyses.

According to The International Integrated Reporting Framework (2013), natural capital includes all environmental resources, renewable and non-renewable, that are used by the organisation. Although the different resources are not equally relevant for companies, most companies interact with capitals. When environmental concerns are included as part of a company's strategy, the organisation has to allocate the necessary resources to address the identified concerns.

Financial resources are very important to address environmental concerns; however, the research results indicated that companies did not allocate financial resources to address environmental concerns and there was no evidence that the investments of companies had increased over the period from 2012 to 2014.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China indicated that the companies from these countries reported better concerning environmental performance. One company, Tencent Holdings, did not report any information on its environmental performance; however, the other two companies included detailed information regarding their environmental performance.

The Bank of India reported on its initiatives to protect the environment as part of its investment into corporate social responsibility. It explained three separate projects and included the monetary value of the donations/programmes that were supported for the year under review. The annual report of Magnitogorsk Iron & Steel Works included extensive details about its environmental sustainability. It stated that it had invested 1 671.7 million Roubles towards the 2014 environmental programme. The details (monetary investments and other details) of the initiatives were included. From this evidence, it was clear that environmental initiatives were included in the strategies of the two companies and that financial resources were allocated to various environmental initiatives.

6.1.2 Discussion of sub-question two

Sub-question two: “What is the organisation’s total investment in social sustainability or social and relationship capital as a percentage of its profit?”

Companies in the financial services industry included information about corporate social responsibility investments in their integrated reports. The investments of companies included in the sample ranged between 0,31% and 1,60% of net profit with the average investment being 0,90% of net profit.

The investment in corporate social responsibility by companies in the basic materials industry was significantly higher when compared to the financial services industry. Although the information was not reported by all the companies in the sample, eight of the reports (53,33%) included the monetary value of their investment in corporate social responsibility. The average annual investment of these eight companies was 5,17% of net profit. Except for one company in basic materials industry that did not report on any social and environmental performance or investments, all the companies in this industry reported significant involvement in socio-economic development projects and initiatives.

In contrast with the first two industries, the companies in the consumer services industry did not report on their investments in corporate social responsibility. Only one company included relevant information with investments of 1,02% of net profit in 2012, 1,84% of net profit in 2013 and 1,10% of net profit in 2014.

In summary, 49,00% of the reports included no information on the monetary investment of companies in social sustainability. There was also no evidence from the research that corporate social investments of companies increased over time. Hurst (2013) stated that neo-classical framings resulted in organisations that have little regard for environmental and social consequences and the research results confirm that there are still many organisations that do not commit to making a sustainable social contribution in monetary terms. Such behaviour is short-sighted and will stand in the way of the solutions that are required to ensure that both business and humankind can prosper and survive over the long-term (Ketola, 2010).

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China indicated that the companies from these countries reported better on socio-economic performance. One company, Tencent Holdings did not report any information on its social-economic performance; however, the other two companies included detailed information.

The Bank of India reported detailed information regarding different categories of corporate social responsibility investments and the monetary value of each initiative. The report stated a total investment in corporate social responsibility of 0,69% of profit after tax.

The annual report by Magnitogorsk Iron & Steel Works stated an allocation of 1,55 billion Roubles towards social responsibility initiatives that were explained in the report. It was not possible to express the investment as a percentage of profit as it was reported in the Russian currency while the financial figures were reported in US Dollar.

6.1.3 Discussion of sub-question three

Sub-question three: “Does the integrated report include clear evidence of a consistent use of quantitative information in order to compare current and past social and environmental performance?”

A saying that is often used in business is “what gets measured gets managed”. When an organisation has defined its social and environmental priorities, it should define the metrics that would enable the organisation to assess its progress and to implement corrective actions (Butler et al., 2011). The International Integrated Reporting

Framework (2013) stated that quantitative measures are an important indicator of the extent to which an organisation has achieved its outcomes in terms of its effect of various capitals. Quantitative indicators regarding targets and risks and opportunities should be included in the integrated report.

The integrated reports of companies in the financial services industry and the consumer services industry included either no evidence or limited evidence of quantitative information which could enable a comparison of their present and past social and environmental performance. Only 20,00% of reports by financial services companies and none of reports by companies in the consumer services industry included clear evidence of quantitative information.

The integrated reports published by companies in the basic materials industry, however, included quantitative information that enabled a comparison of past and present social and environmental performance. In this industry, 69,00% of the reports included sufficient quantitative information.

In summary, there was an improvement in the number of reports that included quantitative information from 33,00% in 2012 to 36,00% in 2014. Reports that did not include any quantitative information declined from 42,00% in 2012 to 29,00% in 2014. It is mainly the reports of companies in the basic materials industry (60,00%) that included sufficient quantitative information.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China produced similar results. The company in the basic materials industry in Russia, Magnitogorsk Iron & Steel Works, reported sufficient quantitative information. The reports published by the companies in the other two industries did not include sufficient quantitative information.

6.1.4 Conclusion to Research Question one

The research results of sub-question one to three confirmed the statement by Hahn (2013) that there is still not a consistent application of measurements to evaluate corporate social responsibility performance. The use of multiple reporting standards to report on social and environmental performance reduces the credibility of the reported

information and makes it difficult for decision makers and stakeholders to compare the performance of different organisations (Tschopp & Nastanski, 2014).

The integrated reports that were studied included no standardised means of reporting on social and environmental performance. None of the reports included sufficient information on environmental sustainability investments and 49,00% of the reports included no information regarding corporate social responsibility investments. In addition, the reports also excluded other quantitative indicators that would enable readers to compare past and present social and environmental performance. Only 36% of reports included sufficient quantitative information to enable comparisons of current and past social and environmental performance.

Ramanna (2013) stated that there is a matching principle in financial accounting which enables accountants to match cost in a certain period with the benefits realised in the same period. However, the matching of cost with benefits for a specific period is challenging when reporting on non-financial information because the impact of social and environmental initiatives does not necessarily become visible over the short-term (Bardy & Massaro, 2012).

There was no evidence from the research that the monetary investment of companies in corporate social investment (including both environmental and social sustainability initiatives), expressed as a percentage of profit after tax, increased over time. There was also no conclusive evidence found that reports included sufficient quantitative information to compare current and past social and environmental performance.

Therefore, in conclusion to the first research question, “does integrated reporting contribute to improved social and environmental performance by organisations over time?” it can be concluded that integrated reporting did not contribute to improved social and environmental performance by organisations over time.

6.2 Discussion of Research Question two

Do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?

6.2.1 Discussion of sub-question four

Sub-question four: “Does the organisation include both leading (future-oriented) and lagging (historical) indicators to report on its social and environmental performance?”

Metrics used in financial accounting, and in traditional financial reporting, are normally lagging indicators and although it can provide insight into the progress or effectiveness of decisions and strategies previously made, it does not contribute to a better understanding, or aid in predictions of future operational results (Butler et al., 2011). An integrated report should include a description of an organisation’s future outlook and should therefore include both leading and lagging performance indicators for the various capitals, including social and environmental capital. The integrated report can include lead indicators, key performance indicators and/or objectives to achieve this. The report should also include comparisons of the organisation’s actual performance against targets that were previously defined (The International Integrated Reporting Framework, 2013).

The majority (40,00%) of reports published by companies in the financial services industry included only lagging indicators regarding social and environmental performance. The reports of only one company (constituting 26,67% of the reports) included both leading and lagging indicators.

The majority of integrated reports (60,00%) published by companies in the basic materials industry, also included lagging indicators only. Only 13,33% of the reports included both leading and lagging environmental and social performance indicators.

The majority of reports (80,00%) published by companies in the consumer services industry included no leading or lagging indicators relating to social and environmental performance while 20,00% included only lagging indicators. There were no companies included in the sample that included leading indicators or a combination of leading and lagging indicators.

In summary, the majority of integrated reports (43,00%) in all industries included only lagging social and environmental performance indicators in their 2014 reports. Ketola (2010) stated that leaders, and therefore organisations, should distinguish between the achievement of long-term goals and immediate gratification and that working towards long-term goals requires patience. Integrated thinking happens when organisations

consider their social and environmental impact and craft strategies to improve their performance over the short-, medium- and longer-term (Cheng et al., 2014).

Therefore, the research confirmed that the majority of reports are still mainly retrospective and that reporting of non-financial information is done in the same manner as traditional financial reporting. Companies did not publicly, via their reports, commit to achieving specifically identified goals, objectives or performance criteria with regard to environmental and social performance.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by the three companies from Russia, India and China showed similar results. The reports published by the three companies included either no leading or lagging social and environmental indicators or only lagging indicators.

6.2.2 Discussion of sub-question five

Sub-question five: “Does the integrated report include social and environmental key performance indicators, targets or other measurements for performance and are they linked to corporate strategy and remuneration?”

In general, the majority of integrated reports included sections on executive remuneration as proposed by the King III Report on Corporate Governance (2009) but the executive remuneration was related to financial performance indicators such as maximisation of shareholder value and total shareholder return (TSR). Short- and long-term executive incentives were also determined by the achievement of shareholder expectations. Examples of the indicators included in the reports and those that were linked to remuneration were earnings before interest, tax, depreciation and amortisation (EBITDA), return on capital employed (ROCE), return on shareholder’s interest, return on total assets and increase in operating margin.

The majority (80,00%) of the integrated reports published by companies in the financial services industry included no clear evidence of key performance indicators, targets or measurements for determining their social and environmental strategic performance. The only exception was the three reports of a single company (constituting the remaining 20,00% of reports) that included key performance indicators that were related to the remuneration of the most senior officials.

In the basic materials industry, 40,00% of the integrated reports did not include social and environmental key performance indicators, targets or other strategic indicators. However, 60,00% of the reports included sufficient quantitative measurements which confirmed that social and environmental aspects were included as part of the strategic decision-making in these companies. However, there was no clear link between social and environmental performance and the remuneration reported for senior officials.

The majority (80,00%) of integrated reports published by companies in the consumer services industry included no evidence of social and environmental key performance indicators, targets or other measurements for performance and mentioned no links to the corporate strategy or remuneration reported for senior officials. The remaining 20% of reports (three reports published by one company) included limited evidence of a link between social and environmental performance and strategy although there is was no evidence of a link to the remuneration reported for senior officials.

In summary, the majority of reports (64,00%) published in 2014 included no evidence of social and environmental key performance indicators, targets or other measurements linked to corporate strategy and remuneration. Only 7,00% of the reports analysed included sufficient evidence of key performance indicators, targets or other measures of performance. This was consistent with research by Gates and Germain (2010) who found that sustainability measures had a weaker presence in strategic performance measurement systems than other categories of measurement and that there was not a strong alignment between sustainability measures and corporate strategy.

Brown and Dillard (2014) criticised the The International Integrated Reporting Framework (2013) for its bias towards shareholders and argued that it did not sufficiently address current social and environmental issues and the associated stakeholder needs. The research results supported this criticism by confirming that companies continue to define key performance indicators and strategic objectives in economic terms and the remuneration of senior executives are linked to these economic indicators. Social and environmental indicators have not yet featured on companies' strategic radars.

The results of the reports published by the Johannesburg Stock Exchange listed companies were consistent with the reports published by companies from Russia, India and China. Two of the international reports did not include social and environmental

key performance indicators, targets or other measurements for performance and had no links to corporate strategy and remuneration. The exception was Magnitogorsk Iron & Steel Works (Moscow Stock Exchange), a company in the basic materials industry that included social and environmental quantitative indicators for performance with links to corporate strategy, although it did not include clear links to the remuneration of senior officials.

6.2.3 Discussion of sub-question six

Sub-question six: “Does the integrated report include evidence of independent assurance of social and environmental information?”

Chapter nine of the King III Report on Corporate Governance (2009) proposed that there should be independent assurance to ensure the integrity of sustainability reporting. Cheng et al. (2014) stated that the assurance of integrated reports would remain a challenge in the ensuing reporting periods and that assurance was complicated by the difficulty of providing reasonable assurance on the sustainability aspects discussed in integrated reports without assuring the underlying processes.

The majority of integrated reports (73,33%) published by companies in the financial services industry did not include assurance of non-financial information. The internal audit department assured 6,67% of the integrated reports and 20,00% of the reports (constituting three reports published by one organisation) stated that non-financial information was externally assured. The reports that stated assurance by external auditors, included a list of the areas of non-financial information that was assured.

In the basic materials industry, 46,67% of the integrated reports included no evidence that the non-financial information was assured. A further 40,00% of the reports were internally assured and the non-financial information of 13,33% of the reports were externally assured.

In the consumer services industry, 40,00% of the integrated reports included no evidence of assurance of the non-financial information reported. The non-financial information contained in the majority of reports (60,00%) was assured by an independent internal assurer. None of the reports had non-financial information externally assured.

In summary, the research results from all the industries indicated that there was a decline in the number of reports that did not include assurance of non-financial information from 50,00% in 2012 to 43,00% in 2014. The number of reports that had the non-financial information internally assured increased from 42,00% in 2012 to 43,00% in 2014 and the number of reports that were externally assured increased from 8,00% in 2012 to 14,00% in 2014. The majority of reports (57,00%) were either internally or externally assured in 2014.

The companies listed on the Johannesburg Stock Exchange performed better than the companies from Russia, India and China. None of the reports of these companies included independent assurance of non-financial information.

6.2.4 Conclusion to Research Question two

Governance mechanisms such as the board of directors and institutional shareholders are critical to ethical behaviour in organisations (Abdel-Meguid et al., 2013). Whether organisations include social and environmental sustainability issues in their corporate strategic agendas, as evidenced in their integrated reports, depends largely on the culture of the organisation and direction given by the board of directors. The question remains whether boards actually delegate environmental and social responsibility to their agents (management) or whether they still focus mainly on financial performance (Ramanna, 2013).

The International Integrated Reporting Framework (2013) proposed that an organisation's integrated report should explain how the incentives and remuneration of senior officials are related to the responsible and sustainable use of the organisation's resources and its efforts to create value over the short-, medium- and long-term. However, the integrated reports of companies listed on the Johannesburg Stock Exchange did not include this information.

Companies did not include social and/or environmental key performance indicators, goals or targets with clear links to strategy and remuneration. Only 7,00% of companies included clear links to strategy and remuneration in 2014 and there has been no improvement since 2012. Except for one company, none of the reports linked social and environmental performance to remuneration either with short-term incentives and salaries or over the long-term as part of performance bonuses.

Integrated reporting and sustainability practices will differ for each individual company based on their strategic objectives (Roth, 2014; Butler et al., 2011) but each organisation should define the specific ecological and social aspects that should be integrated into its strategy. It should then identify the business processes, resources and management processes that would enable the integration and entrenchment of sustainability into company strategy (Tollin & Vej, 2012). If corporate social responsibility practices are not managed organisation-wide, companies will not gain value from preparing relevant reporting (Amran et al., 2014) and ultimately the performance of the companies will not improve.

The research results confirmed that companies still reported retrospectively on social and environmental aspects with 43,00% of the reports in 2014 still focused on lagging indicators. Only 14,00% of the reports published in 2014 included both leading and lagging indicators. There was a slight improvement in companies that had their non-financial information assured externally (from 8,00% in 2012 to 14,00% in 2014) and those that had their reports internally assured also improved slightly (from 42,00% in 2012 to 43,00% in 2014).

Therefore, in conclusion to Research Question two, “do organisations include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports?” the evidence confirmed that companies have not progressed to a maturity level where social and environmental issues formed part of the corporate agendas. Organisations did not include social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports.

6.3 Discussion of Research Question three

Does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013) improve over time?

6.3.1 Discussion of sub-question seven

Sub-question seven: “Does the organisation use the Global Reporting initiative (GRI) guidelines or other frameworks, standards or guidelines for reporting social and environmental impacts in the integrated report?”

The King III Report on Corporate Governance (2009) included examples of frameworks that companies could use for sustainability reporting such as the Global Reporting Initiative Guidelines, the AA 1000 Framework and Stakeholder Engagement Standard and the ISO 14000 Environmental Standard. The use of frameworks aids companies in reporting social and environmental performance and it also enables them to benchmark sustainability outcomes against other organisations (Bardy & Massaro, 2012). Many authors (Searcy & Buslovich, 2014; James, 2014; Butler et al., 2011; Gates & Germain, 2010; Ntim & Soobaroyen, 2013; Tschopp & Nastanski, 2014) confirmed that a large number of organisations use the sustainability reporting framework of the Global Reporting Initiative (GRI) to aid in the development of the organisation’s sustainability reports.

In the financial services industry, 27,00% of the integrated reports published reported corporate social responsibility according to the Global Reporting Initiative guidelines and 33,00% of the reports were compiled using other recognised frameworks or guidelines. The remaining 40,00% of reports, however, were not compiled according to any recognised guidelines or frameworks.

A large percentage (46,67%) of the integrated reports published by companies in the basic materials industry reported corporate social responsibility according to the Global Reporting Initiative guidelines. A further 13,33% of the reports included information based on other reporting frameworks and guidelines. The remaining 40,00% of the reports were not compiled according to any recognised frameworks or guidelines. However, three of these reports, constituting 20,00% of the sample in the basic materials industry, were compiled by one organisation that did not report on any social and environmental aspects.

In the consumer services industry, the majority of reports (60,00%) either included information compiled by and reported on using the Global Reporting Index (26,67%) or reported according to other recognised frameworks (33,33%). The remaining 40,00%

of the reports did not report social and environmental aspects in accordance with any recognised frameworks or standards.

Collectively, it was mainly companies in the basic materials industry (47,00%) that adopted the Global Reporting Initiative guidelines, followed by companies in the consumer services industry (27,00%). For 2014, the number of reports (36,00%) that reported on corporate social responsibility issues according to the guidelines of the Global Reporting Initiative was equivalent to the number of reports (36,00%) that used no guidelines or frameworks for reporting. However, the number of reports that included limited applications of the Global Reporting Index increased from 0,00% in 2012 to 14,00% in 2014, which could be an indication that the companies are slowly starting to adopt the guidelines.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China indicated that the Johannesburg Stock Exchange listed companies were more prone to use the Global Reporting Initiative guidelines or other frameworks. Two of the three reports from these countries were not compiled in accordance with any recognised guidelines or frameworks while the remaining report was compiled in accordance with recognised frameworks and guidelines.

6.3.2 Discussion of sub-question eight

Sub-question eight: “Does the integrated report include evidence that the organisation understands its key stakeholders from an environmental and sustainability point of view? Does it include their needs into its strategy as evidenced in the integrated report?”

The importance of engagement and interaction with various stakeholders, including initiatives to address their material needs and issues through the strategies of organisations, are covered in various standards and guidelines, including ISO 26000 (Hahn, 2013), The International Integrated Reporting Framework (2013) and the King III Report on Corporate Governance (Vorster & Marais, 2014). Organisations should evaluate what the legitimate needs of their stakeholders are and they should evaluate how their strategic decisions affect different stakeholders positively and negatively (Vorster & Marais, 2014).

In general, the research results indicated that the information included in the integrated reports regarding stakeholder engagement, was one-sided. In the majority of cases, the reports explained the initiatives of the companies with regard to stakeholders but it did not provide information about how stakeholders experienced these corporate social responsibility initiatives and whether the initiatives addressed their legitimate needs. The reports described corporate social responsibility as initiatives that were done “to” stakeholders and not “with” them. The relationships with stakeholders were largely two-way asymmetric. The reports were also not balanced as proposed by The International Integrated Reporting Framework (2013) in the sense that the reports did not include any negative feedback from stakeholders or descriptions of any negative social or environmental impacts, but rather focused exclusively on positive reporting.

The main audience for integrated reports are shareholders and the majority of reports referred to shareholders in their introduction. Further referrals in the reports were made to shareholders and not stakeholders. References to stakeholders remained largely limited to the sections of the reports that dealt with stakeholder engagement. One integrated report stated, for example, that the report was aimed at shareholders as this was consistent with The International Integrated Reporting Framework (2013).

Considering that there is not conclusive evidence that shareholders are concerned with the social and environmental performance of organisations, it is concerning that the integrated report is intended mainly for shareholders or providers of capital (Churet & Eccles, 2014; Brown & Dillard, 2014; Cheng et al., 2014). Brown and Dillard (2014) argued that The International Integrated Reporting Framework should, from the outset, have included the needs of a full range of external stakeholders because it will have a lasting bias toward the priorities and needs of shareholders.

The research results in the financial services industry indicated that 33,33% of the integrated reports that were published did not include a clear description of the companies’ stakeholders or their needs and interests. A further 46,67% included descriptions of stakeholders and their needs but did not include any evidence of how the companies responded to the material needs of the stakeholders or whether stakeholder needs and issues were incorporated into any strategic responses by the organisation. Three integrated reports, published by one company and which constituted 20,00% of the sample, included a clear description of the relevant stakeholders including social and environmental issues, the company’s response to the

material needs of its stakeholders and how relevant responses were included into its strategy.

In the basic materials industry, 40,00% of reports included no description of stakeholders and 13,33% included a description of stakeholders with no further detail regarding the company's response to their material needs and interests. The remaining 46,67% of the integrated reports included information regarding the stakeholders, their needs and interests and how companies responded to these.

The majority of reports published by companies in the consumer services industry (73,33%) included no evidence of stakeholder identification or inclusion of their interests and needs into company strategy. As a result, social and environmental aspects were also not included in the stakeholder analysis. Only one report (6,67%) included some detail about stakeholders although it did not explain its response to stakeholder needs and interests or whether the company engaged with stakeholders on a regular basis. The remaining 20,00% of the reports published by companies in the consumer services industry included a stakeholder analysis, legitimate stakeholder needs and interests, social and/or environmental aspects and also how the company endeavoured to address the legitimate needs and interests of stakeholders.

In summary, 47,00% of the reports by companies in the basic materials industry included information on stakeholder needs and issues and how companies responded to these issues and needs. These companies also addressed social and/or environmental issues as part of stakeholder engagement. This is in contrast with 73,00% of reports by companies in the consumer services industry which did not include any stakeholder identification as part of their reporting.

Bouten et al. (2012) differentiated between an active and a passive approach towards corporate social responsibility. An active approach is one where management endeavours to influence key stakeholders. Those organisations that do not monitor relationships with their stakeholders can be described as passive. Active organisations are more likely to address stakeholder demands through specifically developed programmes. Although the number of reports that included detailed stakeholder analysis and descriptions of how companies responded to the legitimate needs of stakeholders, improved from 42,00% in 2012 to 50,00% in 2014, 50,00% of companies still did not report sufficiently on stakeholder engagement. This is an indication that stakeholder needs are still not included in the strategic agendas of the companies.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by the three companies from Russia, India and China indicated that the reports from the three companies are more detailed with regard to stakeholders. Two of the reports included clear stakeholder descriptions, including social and environmental aspects and company responses to material stakeholder needs and issues. One company did not include a stakeholder analysis.

6.3.3 Discussion of sub-question nine

Sub-question nine: “Does the organisation report on its positive and negative impacts on natural and social and environmental capital and how it will address the negative effects?”

One of the guiding principles of The International Integrated Reporting Framework (2013) is reliability and completeness. In order to achieve this, the integrated report should include both positive and negative material matters in a balanced, clear and transparent manner. Churet and Eccles (2014) stated that an integrated report should be a good proxy of the quality of management and whether the management team considered the negative effects, also called externalities, of the business on society and the environment.

In the financial services industry, 53,33% of the integrated reports did not include information regarding the companies’ positive or negative impacts on either natural, social or environmental capital. A further 26,67% of reports described only the positive social and environmental impact of the companies. Three integrated reports published by one company and which constituted the remaining 20,00% of the sample, included both positive and negative social and environmental performance and impacts that comprehensively explained how the company planned to improve its performance.

The basic materials industry reported well on both the positive and negative social and environmental impacts of companies. The majority of the reports (53,33%) included a description of both positive and negative social and environmental impacts and how the companies planned to address negative impacts, while 20,00% included both the positive and negative impacts although it did not include sufficient detail about the companies’ strategies or intentions to improve on the negative impact or further enhance the positive impacts. Only 26,67% of the integrated reports did not include any detail about the positive or negative social and environmental impacts.

In the consumer services industry, 60,00% of the integrated reports published included no information about either the positive or negative social and environmental effects of the companies in the sample. A further 26,67% of the reports included a limited description of the positive and negative social and environmental impact and only 13,33% of the reports included a sufficient description of the positive and negative social and environmental impacts of the company, however, it did not include information about how the companies intended to improve their performance or reduce negative impacts.

In summary, it was mainly the reports published by companies in the basic materials industry that included both their positive and negative social and environmental impacts. In 2014, 43,00% of the reports across all three industries included no description of externalities and 14,00% included only the positive social and environmental impacts. A further 14,00% of the reports included both positive and negative impacts but there were no explanations of how the companies would address these impacts. Only 29,00% of reports described both positive and negative impacts and included how the companies would address these impacts.

At the heart of The International Integrated Reporting Framework (2013) is the intention that organisations should report on all of the resources that are used in the companies' operations and explain how these resources are enhanced, consumed, destroyed, modified or affected (Cheng et al., 2014). Brown and Dillard (2014) and Cheng et al. (2014) noted that integrated reporting should provide a more holistic view of an organisation's business operations by describing the interrelationships between six different capitals and how business utilises these capitals to create value. Integrated thinking only happens when organisations actively consider their positive and negative impacts on the various capitals or resources that they utilise in their business activities.

The evidence indicated a slight improvement in companies reporting on both their positive and negative impacts on social and environmental capital. The number of reports that included both positive and negative impacts, even though there was no information included about how the companies would address their impacts, increased from 8,00% in 2012 to 14,00% in 2015. The reports that include both positive and negative impacts together with a description of how the companies would address these impacts also increased from 25,00% in 2012 to 29,00% in 2014. However, the

majority of reports (43,00%) did not include any information on either positive or negative externalities.

A comparison between the reports published by the Johannesburg Stock Exchange listed and the reports published by companies from Russia, India and China proved to be similar. The reports of two companies included no information on positive or negative externalities. The report published by Magnitogorsk Iron & Steel Works (Moscow Stock Exchange), a company in the basic materials industry, included a description of positive and negative externalities and the company's strategies to improve on its performance.

6.3.4 Discussion of sub-question ten

Sub-question ten: "Does the integrated report include a formal materiality assessment, which includes social and environmental aspects?"

The International Integrated Reporting Framework (2013) stated that an integrated report should include information that is material to the ability of an organisation to create value. In order to report sufficiently, the organisation should have a process in place to determine which matters are material (Searcy & Buslovich, 2014) to ensure that it achieves a balance between credible reporting and conciseness. The materiality assessment is also important to ensure that the organisation considers the conflicting needs of different stakeholders (Ntim & Soobaroyen, 2013), including social and environmental issues and addresses these in its corporate decisions and strategies (The International Integrated Reporting Framework, 2013).

In the financial services industry, 60,00% of the integrated reports included no information regarding materiality assessments. A further 20,00% of the reports included a description of the company's materiality assessment but the assessment did not include any social and/or environmental issues. Only 20,00% of the reports, which constituted three reports by one company, included a formal materiality assessment which also incorporated material social and environmental aspects.

In the basic materials industry, 46,67% of the integrated reports did not include information about the companies' materiality assessments. However, the majority of the reports (53,33%) included materiality assessments which incorporated material social and environmental aspects.

In the consumer services industry, 60,00% of the reports published did not include formal materiality assessments. A further 40,00% of the reports included evidence of materiality assessments but the assessments did not include material social and/or environmental aspects. There were no reports published by companies in the consumer services industry that included evidence of materiality assessments that comprised of material social and environmental aspects.

South Africa has been a leader in the field of corporate social responsibility and governance reforms, mainly because the country has to address many socio-economic problems including poverty, inequality, unemployment and a high crime rate (Ntim & Soobaroyen, 2013) and was the first country to require listed companies to produce integrated reports (Cheng et al., 2014). However, shareholder activism in South Africa is weak compared to other countries and there are concerns about whether guidelines such as those provided by the King III Report on Corporate Governance (2009) or The International Integrated Reporting Framework (2013) will improve corporate social responsibility performance by companies (Ntim & Soobaroyen, 2013).

In summary, the majority of reports published in 2014 (50,00%) included no materiality determination or assessment. There was an increase in reports that included formal materiality assessments from 17,00% in 2012 to 21% in 2014, however, these assessments did not include material social and/or environmental issues. The number of reports that included social and environmental aspects in their reporting increased slightly from 25,00% in 2012 to 29,00% in 2014. If companies did not include social and environmental aspects into their materiality assessments as proposed by the King III Report on Corporate Governance (2009) and The International Integrated Reporting Framework (2013), these guidelines were not yet contributing to companies' significant improvements in corporate social responsibility performance of companies.

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China proved to be similar. The reports published by the two companies in the financial services industry and consumer services industry included no materiality assessments. The report published by Magnitogorsk Iron & Steel Works (Moscow Stock Exchange), a company in the basic materials industry, included a formal materiality assessment which included both social and environmental material aspects.

6.3.5 Discussion of sub-question 11

Sub-question 11: “Does the integrated report include both qualitative and quantitative information on key environmental and social sustainability issues and initiatives?”

Butler et al. (2011) stated that sustainable development should be viewed with the same importance as other items on a company’s strategic agenda and its metrics should be given the same status and emphasis as other metrics. If this does not happen, sustainable development can become just another public relations exercise and an activity that receives substantial lip service but is not viewed as an important driver for sustainable competitive advantage (Butler et al., 2011; Gates & Germain, 2010).

The use of quantitative indicators is common in financial reporting and can also add value to sustainability reporting. Quantitative information can improve the comparability of reports by different companies, especially when it includes benchmark data and/or recognised quantitative indicators that are used by other organisations in the industry. Quantitative indicators also improve consistency of reporting over more than one reporting period (The International Integrated Reporting Framework, 2013). The International Integrated Reporting Framework (2013) proposed that companies should include both qualitative and quantitative non-financial information in the integrated report.

In the financial services industry, the reports of one company (representing 20,00% of the sample) included no qualitative or quantitative information on environmental and social initiatives. A further 26,67% of the reports included only qualitative information and 26,67% included limited qualitative and quantitative descriptions. Only 26,67% of the reports included sufficient qualitative and quantitative information to explain key social and environmental issues and initiatives.

In the basic materials industry, 26,67% of the reports included no qualitative or quantitative information regarding key social and environmental aspects. A further 13,33% of the reports included limited qualitative and quantitative information and the majority of reports (60,00%) published by organisations in the basic materials industry, included both qualitative and quantitative information about social and environmental performance.

In the consumer services industry, 20,00% of the reports (constituting three reports published by one company) included no evidence of either qualitative or quantitative information regarding key social and environmental aspects. A further 40,00% of the reports included mainly qualitative information and the remaining 40,00% of the reports included limited qualitative and quantitative information. There were no reports in the consumer services industry that included sufficient qualitative and quantitative information on key environmental and social sustainability issues.

In summary, it was only the reports published by companies in the basic materials industry that included sufficient qualitative and quantitative information on key environmental and social sustainability issues. However, there has been a slight improvement in companies that have included either limited quantitative and qualitative information (increased from 25,00% in 2012 to 29,00% in 2014) and companies that included sufficient qualitative and quantitative information regarding key social and environmental aspects (increased from 33,00% in 2012 to 36,00% in 2014). The reports that included no information also declined from 25,00% in 2012 to 14,00% in 2014. Although the improvements were small, it indicated that companies were slowly starting to realise the importance of including sustainability aspects on the strategic agenda. Metrics did not yet have the same status and emphasis as other metrics, as stated by Butler et al. (2011).

A comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China indicated that the reports of the non-South African listed companies performed better. Two of the companies included sufficient qualitative and quantitative information regarding key social and environmental impacts and only one company did not include any information.

6.3.6 Discussion of sub-question 12

Sub-question 12: “Does the integrated report include a statement by the board of directors that they take responsibility for the integrity of the report and that it was compiled in accordance with the proposed framework as detailed in The International Integrated Reporting Framework (2013)?”

According to Ketola (2010), responsible behaviour originates at the highest leadership levels in organisations. The board of directors is central to corporate governance and

should represent and balance the needs of different stakeholders (Jeffers et al., 2014). They should ensure an appropriate balance between an organisation's short-term financial performance and the long-term sustainability of the organisation, the environment and society (Ketola, 2010).

Although the The International Integrated Reporting Framework (2013) was only published in 2013, the King III Report on Corporate Governance (2009) proposed that the board of directors should ensure the integrity of the non-financial information included in the corporate report. Although the the King III Report on Corporate Governance (2009) did not state the exact wording defined in The International Integrated Reporting Framework (2013), it stated clearly that the governance body should take responsibility for the integrity of the report.

In the financial services industry, 80,00% of the reports did not include any statements that governance bodies took responsibility for the integrity of reports. Only 7,00% of reports included partial statements by the board of directors and 13,00% of the reports included statements of responsibility as proposed by The International Integrated Reporting Framework (2013) or similar statements.

In the basic materials industry, 46,67% of the integrated reports included no statement by the board. A further 26,67% of the reports included partial statements and 26,67% of the reports included a statement by the board that it took responsibility for the integrity of the report, including financial and non-financial information.

In the consumer services industry, 40,00% of the reports included no statements of the board. A further 20,00% of the reports included a partial statement and 40,00% of the reports included statements that the board took responsibility for the integrity of the reports including both financial and non-financial information.

In summary, the majority of companies in all industries (47,00%) included no statement of responsibility for the integrity of the non-financial information in 2014. However, this reduced from 67,00% in 2012. Companies that did include the proposed statements increased from 17,00% in 2012 to 40,00% in 2014. Therefore, the evidence indicates that there was an increase in the number of reports that included a statement by the board of directors that they took responsibility for the integrity of the report, including both financial and non-financial information.

In the comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China it was interesting to note that none of the non-South African companies included board statements of responsibility for the integrity of their organisations' reports.

6.3.7 Discussion of sub-question 13

Sub-question 13: "Does the organisation report social and environmental performance over three horizons – short-term (one year), medium-term (one to three years) and long-term (more than three years)?"

The International Integrated Reporting Framework (2013) suggested that the integrated reporting process should lead to improved integrated thinking throughout an organisation and that this integrated thinking should inform the organisation's strategy going forward. It further proposed that the strategic actions and decisions of the organisation with regard to its resources or capitals, including social and relationship capital and natural capital, should be reported over different time horizons in the integrated report.

The effects of the measures that organisations take to improve environmental and social performance is often not visible over the short-term and therefore this performance should be evaluated over both the short-term and longer-term (Jeffers et al., 2014). The integrated report also provides a medium for management to communicate its expectations of sustainability issues that will impact on the long-term growth and strategy of the organisation (Churet & Eccles, 2014).

In the financial services industry, 40,00% of the integrated reports included no time horizon. A further 33,33% of the reports included information pertaining to short-term environmental and social performance only. More specifically, the information was generally limited to the past year's performance. A small percentage (6,67%), constituting one integrated report in this industry, included short-term and medium-term performance information. The remaining 20,00% of the reports (published by one company) included information over three time horizons. The information that was reported over the long-term, however, was limited to a few strategic objectives stated in qualitative terms.

In the basic materials industry, 46,67% of the integrated reports included no time horizon with regard to social and environmental performance. A further 40,00% of the reports included information regarding short-term social and environmental performance, which basically included targets or strategies for the next financial year. The remaining 20,00% of the reports included information that was reported over the medium-term. There were no reports that included sufficient information regarding social and environmental performance over the long-term.

The majority of reports (80,00%) published by companies in the consumer services industry included no time horizon with regard to the reporting of financial and environmental aspects. The remaining 20,00% of the reports included information that was limited to a short-term time horizon. None of the reports included social and/or environmental performance information reported over the medium-term or long-term.

In summary, companies reported social and environmental performance information either by including no time horizon or by focussing on short-term performance. In 2014, the majority of reports (50,00%) did not include any time horizon and 36,00% of the reports included performance information limited to the short-term. Although there was an increase in reports that included a short-term perspective (from 25,00% in 2012 to 36,00% in 2014) there was no notable increase in the number of reports that included a medium-term and/or long-term perspective.

Churet and Eccles (2014) stated that integrated reporting is the visible part of the organisation's strategy and is a reflection of the integrated thinking that occurs within the organisation. Companies that are able to articulate the material social and environmental sustainability issues that may impact them are also those that are able to formulate initiatives and strategies to address the issues. The research results confirmed that companies did not report environmental and sustainability performance over the medium and long-term which is a strong indication that these issues were not included in the long-term growth strategies of companies.

These results were consistent with a recent PwC survey of the Johannesburg Stock Exchange Top 40 companies. The survey revealed a trend towards superficial reporting, where 81,00% of the reports explained how the company planned to achieve its strategic vision but only 6,00% made a clear distinction between short-, medium- and long-term strategic priorities (PwC, 2015).

The results of a comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China are similar. The reports of the three companies from Russia, India and China also did not include any time horizons.

6.3.8 Discussion of sub-question 14

Sub-question 14: “Does the report include the eight content elements proposed by The International Integrated Reporting Framework (2013) which includes organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation?”

The final version of The International Integrated Reporting Framework (2013) was published in 2013 after input from many industry bodies and organisations (Cheng et al., 2014). However, the first draft was published in July 2012 and included most of the content elements that were also proposed in the final version. From the results of the research, it is clear that most companies only started to implement some of the proposals of the The International Integrated Reporting Framework (2013) when the final version was published.

In the financial services industry, 40,00% of the integrated reports included less than four of the proposed content elements of The International Integrated Reporting Framework (2013). A further 40,00% of the reports included between four and eight of the proposed content elements and 20,00% of the reports, which constituted three reports by one organisation, included the full complement of the proposed content elements.

The results from the basic materials industry were similar to those of the financial services industry with 40,00% of the integrated reports including less than four of the proposed content elements and 40,00% including between four and eight of the content elements. The remaining 20,00% of the reports included all the proposed content elements.

In the consumer services industry, 60,00% of the reports included four or less of the content elements proposed by The International Integrated Reporting Framework (2013). The remaining 40,00% of the reports included between four and eight of the

proposed content elements. None of the reports included all eight of the content elements proposed by The International Integrated Reporting Framework (2013).

In summary, the majority of reports (64,00%) included either between four and eight (43,00%) of the content elements, or all of the content elements (21,00%), in 2014. When the final version of The International Integrated Reporting Framework (2013) that was published towards the end of 2013 is considered, the number of reports that included all eight the proposed content elements increased from 8,00% in 2012 to 21,00% in 2014.

The results of a comparison between the reports published by the Johannesburg Stock Exchange listed companies and the reports published by companies from Russia, India and China are consistent. The reports published by The Bank of India (Bombay Stock Exchange) and Magnitogorsk Iron & Steel Works (Moscow Stock exchange) included more than four of the content elements proposed by The International Integrated Reporting Framework (2013). The report published by Tencent Holdings included none of the proposed content elements although it did refer readers to a separate website for the relevant sustainability and other non-financial information.

6.3.9 Conclusion to Research Question three

Sub-questions seven to 14, addressing Research Question three were aimed at determining whether the social and environmental performance of organisations that followed the recommended guidance and structure of The International Integrated Reporting Framework (2013) improved over time.

Churet and Eccles (2014) stated that a company's integrated report should be a good proxy of the quality of its management and whether the management team considers the negative effects, also called externalities, of the business on society and the environment (Churet & Eccles, 2014). However, the practices that an organisation adopts, and which ultimately culminate in the report, are driven by the values and ethics of management (Ntim & Soobaroyen, 2013). The values and ethics of management can either result in strong corporate social responsibility agendas or it can result in organisational members who seek to maximise their own self-interest, disregarding social and environmental degradation (Hurst, 2013).

Companies that are able to articulate the impact of relevant sustainability issues on their business are better equipped to manage these issues (Churet & Eccles, 2014; Butler et al., 2011) and to address these strategically. The sustainability guidelines proposed by the Global Reporting Initiative are widely used by many organisations globally to improve their corporate social responsibility reporting and performance (Gates & Germain, 2010; Searcy & Buslovich, 2014). The King III Report on Corporate Governance (2009) also proposed that companies use these guidelines to improve social responsibility reporting.

However, the research revealed that it was mainly companies in the basic materials industry (47,00%) that adopted the Global Reporting Initiative guidelines, followed by companies in the consumer services industry (27,00%). For 2014, the number of reports that reported on corporate social responsibility issues according to the guidelines of the Global Reporting Initiative (36,00%) was equivalent to the number of reports (36,00%) that did not use any guidelines or frameworks for reporting. However, the number of reports that included limited applications of the Global Reporting Index increased from 0,00% in 2012 to 14,00% in 2014, which could be an indication that the companies were slowly starting to adopt the guidelines.

Organisations can only address social and environmental issues effectively if they include material stakeholder needs into their integrated thinking and company strategies (The International Integrated Reporting Framework, 2013). This requires an active stakeholder approach where the management of organisations identify significant stakeholders, monitor relationships with stakeholders and endeavour to influence stakeholders through specifically developed stakeholder engagement programmes (Bouten et al., 2012).

Although the number of reports that included detailed stakeholder analyses and descriptions of how companies responded to the legitimate needs of stakeholders, increased from 42,00% in 2012 to 50,00% in 2014, the remaining 50,00% of companies could still be described as passive with regard to their stakeholders, including those stakeholders that represent social and environmental aspects.

Organisations that take social and environmental performance seriously can integrate these into their strategies and consider both the positive and negative impacts of their business activities on various resources. It is only then that social and environmental performance will improve and that companies will be more socially and environmentally

responsible and accountable (Cheng et al., 2014). One of the guiding principles of The International Integrated Reporting Framework (2013) is reliability and completeness and therefore the integrated report should include both positive and negative material matters in a balanced, clear and transparent manner.

The integrated report is evidence of management's consideration of the negative social and environmental effect of the business (Churet & Eccles, 2014). However, it was mainly the reports published by companies in the basic materials industry that included both their positive and negative social and environmental impacts. In 2014, 43,00% of the total reports did not include a description of externalities and 14,00% of reports only described the company's positive social and environmental impacts. The results indicated a slight improvement in reports that included both positive and negative impacts, improving from 8,00% in 2012 to 14,00% in 2015 although these reports did not include information about how the companies would address the impacts. The reports that included both positive and negative impacts together with a description of how the companies would address these impacts also increased from 25,00% in 2012 to 29,00% in 2014.

Materiality determination is widely accepted as an important business and reporting activity and was included in reporting models such as the Global Reporting Initiative, The International Integrated Reporting Framework (2013) and other financial reporting models. In order to determine materiality, organisations must develop the ability to listen to their stakeholders (PwC, 2015).

The majority of reports published in 2014 (50,00%), did not include a materiality determination or assessment. The number of reports that included social and environmental aspects in their materiality determination increased from 25,00% in 2012 to 29,00% in 2014. These results are consistent with a recent PwC survey of the integrated reports of the Johannesburg Stock Exchange Top 40 companies, which found that only 36,00% included an explanation of their materiality determination process (PwC, 2015).

In terms of the inclusion of sufficient qualitative and quantitative social and environmental reporting information, only the reports published by companies in the basic materials industry included sufficient qualitative and quantitative information regarding pertinent environmental and social sustainability issues. However, there has been a slight improvement in companies that included either limited quantitative and

qualitative information (increased from 25,00% in 2012 to 29,00% in 2014) and companies that included sufficient qualitative and quantitative information regarding social and environmental performance (increased from 33,00% in 2012 to 36,00% in 2014). The reports that included no information also declined from 25,00% in 2012 to 14,00% in 2014.

Companies reported social and environmental performance information either by including no time horizon or by reporting limited short-term information. In 2014, the majority of reports (50,00%) did not include any time horizon and 36,00% of the reports included performance information limited to the short-term. Although there was an increase in reports that included a short-term perspective (from 25,00% in 2012 to 36,00% in 2014) there was no notable increase in the number of reports that included a medium-term and/or long-term perspective. If companies did not report environmental and sustainability performance over the medium- and long-term, it could be an indication that these issues were similarly not included in the long-term growth strategy of companies (Churet & Eccles, 2014).

In terms of the inclusion of the content elements as proposed by The International Integrated Reporting Framework (2013), the majority of reports (64,00%) included either between four and eight of the content elements, or all of the content elements, in 2014. Taking into account that the final version of The International Integrated Reporting Framework (2013) was published towards the end of 2013, the number of reports that included all eight the proposed content elements increased from 8,00% in 2012 to 21,00% in 2014.

The journey from traditional annual financial reporting to integrated reporting is a challenging one. Although there are many frameworks available there is still little practical guidance to assist companies in implementing integrated reporting (PwC, 2015).

In conclusion to Research Question three, “does the social and environmental performance of organisations that follow the recommended guidance and structure of The International Integrated Reporting Framework (2013) improve over time?” the research results confirmed a slight increase in the number of reports that incorporated the Global Reporting Initiative guidelines for corporate social responsibility reporting (sub-question seven). Although 50,00% of companies did not report sufficiently on stakeholder engagement, the number of reports that included detailed stakeholder

analyses and descriptions of how companies responded to the legitimate needs of stakeholders, improved from 42,00% in 2012 to 50,00% in 2014 (sub-question eight).

The number of reports that described both positive and negative social and environmental impacts also increased slightly from 25,00% in 2012 to 29,00% in 2014 (sub-question nine). The number of reports that included social and environmental aspects in their materiality determination increased from 25,00% in 2012 to 29,00% in 2014 (sub-question ten). Companies that included sufficient qualitative and quantitative information regarding key social and environmental aspects increased from 33,00% in 2012 to 36,00% in 2014 (sub-question 11) and reports that included board statements of responsibility for the integrity of non-financial information increased from 17,00% in 2012 to 40,00% in 2014 (sub-question 12).

There was no increase in companies that reported social and environmental aspects over different time horizons (sub-question 13) and the reports that included all eight of the proposed content elements proposed by The International Integrated Reporting Framework (2013) increased from 8,00% in 2012 to 21,00% in 2014.

Although the improvements of companies listed on the Johannesburg Stock Exchange was slight, the research indicates, in answer to Research Question three, that the social and environmental performance of organisations that followed the recommended guidance and structure of The International Integrated Reporting Framework (2013) improved over time.

The final chapter confirms the principal findings of this research and also includes recommendations for management and other stakeholders. An explanation of the limitations of the research is included with recommendations for future research.

CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter provides an overview of the principal findings of this research study, the implications for management, the limitations of the research and recommendations for future research.

7.2 Principal findings

This research study, which entailed content analysis of 45 corporate reports published by companies listed on the Johannesburg Stock Exchange and three reports by international companies, was aimed at determining whether integrated reporting contributed to improved social and environmental accountability and sustainability by the organisations that prepared the reports. It consisted of three research questions and 14 sub-questions that addressed various social and environmental sustainability performance variables.

The results of the first research question confirmed that companies do not invest sufficiently in social and environmental sustainability. Most companies did not report any environmental sustainability investments and reporting on social investments was also limited. The use of quantitative information in the reports was generally limited. Non-financial information and related performance was mostly described in qualitative terms.

This is a concern because ultimately, an organisation's corporate social responsibility which includes both social and environmental responsibilities, cannot be separated from its core strategy and value proposition (Devinney et al., 2013). If corporate social responsibility is included in the organisation's core strategy and value proposition, the organisation will identify the business and management processes and resources (including financial resources) necessary to integrate sustainability into corporate strategy (Tollin & Vej, 2012) and will consequently be able to report on these.

Integrated reports, including corporate social responsibility reporting, are the visible part of an organisation's strategy, thinking and decision-making with regard to various sustainability issues (Churet and Eccles, 2014). The research results confirmed that South African organisations have not evolved to a stage where integrated thinking precedes the publication of integrated reports. Companies do not allocate sufficient financial resources to environmental and social sustainability aspects as evidenced in their integrated reports.

Research Question two was aimed at determining whether organisations included social and environmental sustainability issues in their corporate strategic agendas as evidenced in their integrated reports. Results were focused mainly on the use of quantitative social and environmental indicators, the relation between key performance indicators, goals and targets to company strategy and executive remuneration and the assurance of the non-financial information contained in reports.

The International Integrated Reporting Framework (2013) does not prescribe measurements or key performance indicators that should be used to describe social and environmental performance, although it proposes that the integrated reports should include both qualitative and quantitative information. Researchers such as Brown and Dillard (2014) argued that the framework has a capital market orientation and that reporting entities have the freedom to decide what they disclose, resulting in the omission of important information.

The research results confirmed that companies still report retrospectively on environmental and social issues by using mostly lagging (historical) indicators. The inclusion of leading indicators would have signified that companies considered material sustainability issues and that these were included in future strategic priorities. However, the majority of reports did not include key performance indicators, goals or targets with regard to social and environmental performance. This confirmed that companies have not yet taken a long-term view on social and environmental performance and have not yet included social and environmental targets in their business strategies. If a company does not measure its results, it is very difficult to manage performance.

Environmental and social sustainability can only be achieved over the long-term. Companies and management will have to take a long-term view with regard to material social and environmental issues. A realisation is needed that these issues will,

ultimately, have an impact on financial sustainability over the long-term if it is not addressed proactively.

There were no reports that reported a clear connection between key performance indicators relating to social and environmental performance and the remuneration of senior executives. The only exceptions were two companies in the basic materials industry that included safety as a key performance indicator. Safety performance had an impact on the short-term remuneration of the senior officials.

The majority of integrated reports included sections on executive remuneration. Where remuneration was discussed, the explanations connected executive remuneration with the creation and maximisation of shareholder value or total shareholder returns (TSR) and there was a strong focus on the alignment of short-term and long-term executive incentives with shareholder needs. This confirmed arguments by Hurst (2013) and Brown and Dillard (2014) that mainstream economics and business is still focused on neo-classical principles of wealth maximisation for shareholders rather than the interests of wider publics.

Brown and Dillard (2014) also argued that The International Integrated Reporting Framework did not provide any motivation for accountants or organisations to critically review the theories, thinking and techniques that resulted in today's social and environmental unsustainability. They further stated that the framework supported the values, interests and perspectives of the traditional reporting regime. The results of the research confirmed these arguments. The majority of reports detailed social and environmental performance retrospectively, using lagging indicators, in a manner similar to traditional financial reporting. Furthermore, there was no evidence that senior officials were remunerated or incentivised for improved social and environmental performance over the longer-term.

Research Question three was aimed at determining whether the social and environmental performance of organisations that followed the recommended guidance and structure of The International Integrated Reporting Framework (2013) improved over time. The research revealed that it was mainly companies in the basic materials industry that reported well on social and environmental aspects. These companies had the most comprehensive stakeholder processes and could therefore determine material matters for inclusion in the reports. The majority of these companies also used the Global Reporting Initiative guidelines for reporting on corporate social responsibility.

This confirmed that firms in industries with closer ties to their social and environmental context tend to focus more more on their corporate social responsibility (Garcia-Rodriguez et al., 2013).

Organisations can only address social and environmental issues effectively if they include material stakeholder needs into their integrated thinking and corporate strategies (The International Integrated Reporting Framework, 2013). This requires an active stakeholder approach where management of organisations identify key stakeholders, monitor relationships with stakeholders and endeavour to influence stakeholders through specifically developed stakeholder engagement programmes (Bouten et al., 2012).

However, the majority of the reports did not include sufficient stakeholder information and therefore also did not disclose their materiality determination processes. Many South African organisations still follow a passive approach towards stakeholders and have not developed processes to respond to the legitimate needs of stakeholders. The main audience for integrated reports is shareholders and the majority of reports referred to shareholders in their introductions. Referrals in the reports were made to shareholders and not to stakeholders. References to stakeholders were limited to the sections of the reports that dealt with stakeholder engagement. The majority of organisations still referred to shareholder value as opposed to stakeholder value.

Organisations that take social and environmental performance seriously integrate these into their strategies and consider both the positive and negative impacts of their business activities on various resources. It is only then that social and environmental performance will improve and that companies will be more socially and environmentally responsible and accountable (Cheng et al., 2014). The research confirmed that South African organisations still reported mainly on positive social and environmental initiatives and did not publicly acknowledge their negative impacts.

Companies reported social and environmental performance information either by including no time horizon, or by reporting limited information pertaining only to the short-term. This is again consistent with traditional financial reporting. Companies did not report on environmental and sustainability performance over the medium- and long-term, which could be an indication that these issues were not included in their long-term growth strategies (Churet & Eccles, 2014) confirming that the journey from

traditional annual financial reporting to integrated reporting is a challenging one (PwC, 2015).

Although the improvements in social and environmental performance of companies listed on the Johannesburg Stock Exchange was slight, the research indicated that the social and environmental performance of organisations that followed the recommended guidance and structure of The International Integrated Reporting Framework (2013) improved over time.

7.3 Implications for management and stakeholders

The majority of reports included in the research study still referred to shareholders and not to stakeholders. This implied that shareholders were the main audience of integrated reports. Furthermore, executive remuneration was still connected to financial performance indicators, which were aimed at increasing shareholder value. There was no evidence from the research that the majority of companies were integrating social and environmental aspects into their corporate strategies.

The change will have to happen firstly at shareholder level. Climate change is real and the threat to social and economic life should not be underestimated (Gilligan & Song, 2014). South Africa has serious socio-economic challenges including unemployment, a high crime rate and poverty. Shareholders will have to take responsible investment seriously and follow guidelines and recommendations such as the Code for Responsible Investing in South Africa (Institute of Directors in Southern Africa, 2011). It is only when responsible investing becomes the norm, that organisations will truly be motivated to engage in more sustainable business practices (Velez-Castrillon, 2014).

The majority of organisations did not report sufficiently on their stakeholders and the legitimate needs of stakeholders, including social and environmental aspects. As a result, the reports also did not include formal materiality assessments as this requires extensive stakeholder engagement. This lack of stakeholder engagement and reporting confirmed statements by Brown and Dillard (2014) that corporate reports are still focused on shareholders.

Organisations need to realise that, if they do not consider the conflicting needs of stakeholders, including customers, regulatory bodies and non-governmental

organisations, it can result in labour strikes, consumer boycotts and government intervention (Ntim & Soobaroyen, 2013; Hahn, 2013). Although stakeholder activism in South Africa is still weak (Cheng et al., 2014), the rapid growth of social media networks and access to the internet will increase public awareness of social and environmental issues (Jeffers et al., 2014) and the actions that organisations do or do not take to address these issues.

Organisations should rather aim to provide insight into the important issues that can impact on the organisation's ability to create value than to aim the report at a specific audience. In an effort to address sustainability, it will not be sufficient to only do a redesign of the existing reporting structure, or to add additional content (PwC, 2015). Integrated thinking and integrated reporting will require an organisational mind-shift.

Companies in the basic materials industry reported well on many of the variables that were included in the study including stakeholder engagement, quantitative and qualitative indicators, key performance indicators, positive and negative social and environmental impacts and the inclusion of social and environmental aspects in their materiality assessments. Reports by companies in the basic materials industry can be used as a benchmark by other industries to ensure more consistent reporting. The companies in this industry also used the Global Reporting Initiative guidelines more rigorously than the other industries, which is a good indication that these guidelines do improve reporting.

It is very important that sustainability measures should be aligned with corporate strategy. In the most recent global annual PwC Chief Executive Officer survey, 75,00% of Chief Executive Officers reported that the measurement and reporting of their company's social, environmental and financial impacts contributed to the success of their organisations over the long-term (PwC, 2015).

The research results indicated weak connections between social and environmental initiatives and company strategy and there was very little inclusion of quantitative key performance indicators with regard to social and environmental performance. A balanced score card or other form of strategic performance measurement system can be effective in combining financial and non-financial measurements for internal reporting purposes to ensure that actions and strategic plans are efficient.

This can either be done through the development of a separate balanced score card for sustainability, adding a fifth element to the current balanced score card or by integrating sustainability measures with the four current perspectives. If sustainability objectives are not included as part of a performance system, the risk will remain that there will be disconnect between sustainability and operations (Butler et al., 2011; Gates & Germain, 2010).

The Bank of India (Bombay stock Exchange) report included a Business Responsibility Report for 2014 and 2015 which was done according to clause 55 of the listing requirements of the Bombay Stock Exchange. This report included different sections including general information about the company, financial details, other details, principle-wise performance (which included various principles such as governance, product design including social and environmental concerns, employee diversity, stakeholder engagement, human rights, environmental risks, associations, community development and consumer complaints). This gave structure to the reporting of environmental, social and governance issues. A similar structure for South African organisations can add value to current reporting structures as it could facilitate easier comparisons of organisational performance and provide a better view of performance over time due to a consistent structure used by all organisations.

In general, the reports by the companies from Russia, India and China were not as aesthetically pleasing as those published by the Johannesburg Stock exchange listed companies that included professional lay-out and graphics. It seemed as if these non-South African companies focused more on the content and transparency and less on lay-out and visuals. This is an important point that South African companies can consider. It is more important to actually make a difference than to have an aesthetically pleasing report.

7.4 Limitations of the research

Although some companies reported extensively on environmental issues, using both qualitative and quantitative descriptors, none of the companies included sufficient information regarding their investments in environmental performance. This impacted the research results for sub-question one.

The International Integrated Reporting Framework (2013) was published in 2013 and companies were still coming to grips with its requirements. Prior to its publication, companies endeavoured to report according to the requirements of the King III Report on Corporate Governance (2009). Due to the relative newness of integrated reporting, it was difficult to introduce a longitudinal element to the research.

Prior to the introduction of the International Integrated Reporting Framework (2013), many companies published separate sustainability reports that detailed their corporate social responsibility initiatives and investments. This research included content analyses of the companies' main corporate report only. A few companies still opted for separate sustainability information (for example Tencent Holdings in China and Naspers Limited). Separate reports could contain additional social and environmental information that could result in different answers to some of the sub-questions included in the research.

There were companies included in the probability samples that published very basic reports, for example Money Web Holdings, Caxton Print and African Eagle Resources plc. These companies included minimal information regarding stakeholder engagement, corporate social responsibility and environmental performance. As a result, these reports did not contribute meaningfully to the research results.

The research included comparisons of the integrated reporting practices of companies listed on the Johannesburg Stock Exchange with that of companies listed on the stock exchanges in Russia, India and China. This proved to be very challenging as many of the reports in these countries were compiled in the local language, especially the Brazilian companies. Therefore no Brazilian companies were included for comparison. This was unfortunate because Brazil was the only other country where integrated reporting was also compulsory (Cheng et al., 2014). As a result, the researcher had to select reports of companies that published English reports.

7.5 Suggestions for future research

Integrated reporting is a fairly new concept and the related aspects such as sustainability and corporate governance are broad with no specific definitions. This exploratory study provided answers to the research questions, which will need to be

followed-up by research that is more detailed to gain more insight into the process of integrated reporting.

This research found significant differences between the reporting practices of large companies compared to smaller companies with annual profits less than R300 million. Future research can focus on companies of similar sizes because companies that are similar in terms of size are more probable to have similar expertise and funds available for reporting.

The research focused mainly on South African organisations and these finding may not be relevant to other countries. Further research from a cross-country perspective can provide additional insight into the best reporting practices of different countries.

This research focused on companies that are listed on the Johannesburg Stock Exchange. There are many other South African organisations that also compile integrated reports even though they are not required to do so. A comparison should be done of public and private companies, and their motivation for doing integrated reporting.

There are still major differences between the reporting practices of companies. Integrated reporting requires a culture change within organisations. It will be valuable to research the actual practices, processes and procedures of the companies that publish the excellent reports. Such research, which could be in the form of case studies, could provide valuable insight to other companies that have difficulty in establishing the internal processes and procedures necessary to improve reporting practices. Examples of best practices that need to be researched include the process to conduct materiality determinations, the responsibility for compiling and writing reports and the involvement of governance bodies in the integrated reporting process.

This research focused on both social and environmental performance and the researcher found that reporting of the two issues varies significantly. Future research could focus more exclusively on either one of these aspects.

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APPENDICES

Appendix 1: Companies included in probability samples

Companies listed on both 3 January 2011 and 31 December 2014

Alpha	LongName	Board	ICB Sub Sector Long Name	ICB Sector Long Name	ICB Super Sector Code	ICB Super Sector Long Name	ICB Industry Code	ICB Industry Long Name
YRK	York Timber Holdings Ltd	Main	Forestry	Forestry & Paper	1700	Basic Resources	1000	Basic Materials
MNP	Mondi plc	Main	Paper	Forestry & Paper	1700	Basic Resources	1000	Basic Materials
SAP	Sappi Ltd	Main	Paper	Forestry & Paper	1700	Basic Resources	1000	Basic Materials
AEA	African Eagle Res plc	AltX	Nonferrous Metals	Industrial Metals & Mining	1700	Basic Resources	1000	Basic Materials
ACL	ArcelorMittal SA Limited	Main	Iron & Steel	Industrial Metals & Mining	1700	Basic Resources	1000	Basic Materials
CLS	Clicks Group Ltd	Main	Drug Retailers	Food & Drug Retailers	5300	Retail	5000	Consumer Services
AME	African Media Ent Ltd	Main	Broadcasting & Entertainment	Media	5500	Media	5000	Consumer Services
NPN	Naspers Ltd -N-	Main	Broadcasting & Entertainment	Media	5500	Media	5000	Consumer Services
CAT	Caxton CTP Publish Print	Main	Publishing	Media	5500	Media	5000	Consumer Services
MNY	Money Web Holdings Ltd	AltX	Publishing	Media	5500	Media	5000	Consumer Services
RMH	RMB Holdings Ltd	Main	Banks	Banks	8300	Banks	8000	Financials
FGL	Finbond Group Ltd	Main	Banks	Banks	8300	Banks	8000	Financials
NED	Nedbank Group Ltd	Main	Banks	Banks	8300	Banks	8000	Financials
FSR	Firststrand Ltd	Main	Banks	Banks	8300	Banks	8000	Financials
CPI	Capitec Bank Hldgs Ltd	Main	Banks	Banks	8300	Banks	8000	Financials

Appendix 2: Social spend as percentage of net profit

Industry	Year	Social spend % of net profit	Industry	Year	Social spend % of net profit	Industry	Year	Social spend % of net profit
Financial services	2013	0.85	Basic materials	2012	1.5	Consumer services	2012	1.02
Financial services	2014	0.31	Basic materials	2013	1.59	Consumer services	2013	1.84
Financial services	2015	0.66	Basic materials	2014	1.63	Consumer services	2014	1.1
Financial services	2012	0.56	Basic materials	2012	5.13	Consumer services	2012	None
Financial services	2013	0.53	Basic materials	2013	None	Consumer services	2013	None
Financial services	2014	0.61	Basic materials	2014	5.65	Consumer services	2014	None
Financial services	2013	1.22	Basic materials	2012	5.07	Consumer services	2013	None
Financial services	2014	0.95	Basic materials	2013	6.82	Consumer services	2014	None
Financial services	2015	1.6	Basic materials	2014	19.09	Consumer services	2015	None
Financial services	2012	None	Basic materials	2011	None	Consumer services	2012	None
Financial services	2013	None	Basic materials	2012	None	Consumer services	2013	None
Financial services	2014	None	Basic materials	2013	None	Consumer services	2014	None
Financial services	2012	1.44	Basic materials	2012	None	Consumer services	2012	None
Financial services	2013	1.04	Basic materials	2013	None	Consumer services	2013	None
Financial services	2014	1.03	Basic materials	2014	None	Consumer services	2014	None

Appendix 3: Ethical clearance letter

Confirmation of ethical clearance was received via e-mail communication on Monday, 8 June 2015.

**Gordon Institute
of Business Science**
University of Pretoria

Dear Madelein Bankhuizen

Protocol Number: Temp2015-01060

Title: **The contribution of Integrated reporting to social and environmental accountability and sustainability.**

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 Ethics Administrator

Appendix 4: Turnitin report pages one to ten

Please find attached the first ten pages of the Turnitin report.