

Reporting pre- and post-King III: what's the difference?

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This discussion paper summarises the findings of the report *Integrated reporting: the influence of King III on social, ethical and environmental reporting*, written for ACCA by Jill Solomon (King's College London) and Warren Maroun (University of the Witwatersrand, Johannesburg).

It outlines ACCA's recommendations made on the basis of this research.

Executive summary

Across the world, efforts are currently under way to develop an internationally accepted framework for integrated reporting, a form of reporting that presents typical non-financial reporting (for example, environmental, social or ethical) in a way that is explicitly related to the financial, strategic, and governance information within an annual report. The research outlined in this report analyses the impact of integrated reporting on companies in the one jurisdiction where it is already mandatory – South Africa – and suggests lessons that could be learnt by those developing the international framework.

The research analysed the corporate reports of ten major South African companies immediately before (2009) and after (2010–11) the introduction of mandatory integrated reporting, and came to the following conclusions.

There is significantly more social, environmental and ethical information reported in the 2010–11 annual reports of the sample companies than in the earlier ones. Social, environmental and ethical information appears throughout a significantly greater number of sections of the reports for 2010–11 than in those for 2009. In the earlier reports, this information tends to be restricted to specific sections, usually a sustainability report and a mention in the chairman's statement.

A striking weakness of the integration of social, environmental and ethical information is the way in which certain

items of information are repeated, often excessively, throughout the reports.

While there has been a substantial uplift in the reporting of social and environmental information, this uplift is less substantial for ethical information.

The impact of integrated reporting on the way that social, environmental and ethical information is disclosed can be characterised by the following themes: the crucial importance of materiality; an evolving discourse of risk and risk management; an increasing tendency towards quantification; the emergence of new reporting items; the emergence of new sections in the reports; and the increasing integration of social, environmental and ethical considerations into corporate governance structures.

The reports are imbued with stakeholder accountability rhetoric. Within a couple of years, companies have shifted from reporting that is aimed exclusively at their shareholders to reporting that expounds the directors' claimed belief in stakeholder accountability and stakeholder engagement. The introduction of integrated reporting appears to have created a new set of priorities for the directors, expressed through the reporting.

While the concept of integrated reporting should embed sustainability in the heart of the primary corporate reporting vehicle, the annual report, this does not necessarily imply that the reporting will either fulfil its potential

for transforming corporate behaviour or will not produce empty rhetoric.

This report also makes the following recommendations.

1. The way in which information is set out could be more concise to avoid repetition.
2. The form of reporting could be extended to incorporate more feedback from consultation with stakeholders regarding social and environmental issues and corporate responsiveness to feedback.
3. Organisations should solicit the views of their major stakeholders about the social, environmental and ethical information (and underlying policies and practices) that they report and include these views within integrated reports.
4. Academics can and should play a significant role in researching the framework and its applicability.
5. Academics should and can play an important role in educating potential managers and users.

1. Introduction

The past couple of decades have seen a steady evolution of corporate social, environmental and ethical reporting, with sustainability reporting undergoing particularly significant developments in the last decade. Usually, such information is presented in stand-alone social responsibility or sustainability reports, but recently the trend has been to integrate social, environmental and ethical performance and risk into the main corporate report.

A voluntary, company-by-company approach to 'integrated reporting' has been around for a few years in some places, but integrated reporting has become more formalised since 2010.

In 2010, the Johannesburg Stock Exchange (JSE) mandated integrated reporting in its listing requirements,

initialising the first national attempt to enforce such reporting. In late 2011, the newly formed International Integrated Reporting Committee (IIRC) launched a discussion paper to begin the process of developing an internationally accepted integrated reporting framework.

The experiences of South Africa – the only jurisdiction with mandated integrated reporting – present an excellent opportunity to learn lessons for the larger IIRC project: what works, what does not; how companies approach integrated reporting; and, importantly, whether or not integrated reporting makes a difference.

If corporate reporting influences corporate behaviour, then moves towards integrated reporting should lead to a more integrated approach to

strategy and risk management by organisations.

The aim of this research project is to show how the introduction of integrated reporting as a requirement for JSE listing changed South Africa's largest companies' reporting of social, environmental and ethical matters by comparing the annual reports from 2009 – the last set pre-integrated reporting – with those of 2010/11 – the first set produced post-integrated reporting.

SOUTH AFRICA AND CSR

The Johannesburg Stock Exchange's (JSE) introduction of integrated reporting is based on the recommendations of Judge Mervyn King, author of the King Reports. South Africa has long been recognised as a pioneer in progressing corporate governance reform, with the first King Report (1994) heralding a new departure in stakeholder accountability. Following political, social and environmental challenges, South Africa has taken a lead, through its stakeholder-oriented corporate governance reports, in forcing businesses to embed social, environmental and governance considerations into the heart of their operations. King II (2002) suggested further integration of sustainability into governance and reporting but in 2009, King III insisted on integrated reporting for companies listed on the JSE and, through the JSE listing requirements, companies are therefore obliged to produce an integrated report.

WHAT IS THE IIRC?

The International Integrated Reporting Committee is an organisation representing stakeholders from across the reporting spectrum, including businesses, investor groups, regulators, accountancy firms and organisations, academics and other stakeholders, including sustainability groups. The IIRC was launched in 2011. More information about the IIRC can be found on the committee's website www.theiirc.org

WHY INTEGRATED REPORTING?

Sustainability reporting has evolved gradually since the 1970s, although traditional stand-alone reports have been criticised by academics. Some see sustainability reports as not much more than self-justifying rhetoric (Everett and Neu 2000; Livesey and Kearins 2002), while others are concerned that sustainability reporting has been 'captured' by corporations (Eden 1994; Livesey 2001, 2002; Owen, Gray and Bebbington 1997; Welford 1997). There are also concerns about the lack of comparability and consistency in non-financial reports (Solomon and Solomon, 2006).

On the other hand, there is evidence that the act of corporate reporting on sustainability issues has the potential to influence and transform corporate behaviour although, it is important to note, this potential is not always realised (Bebbington and Gray 2001; Buhr 2007; Livesey 2002). To underscore this point, only 21% of listed companies worldwide report any sustainability information (Bloomberg 2010).

The Integrated Reporting Committee of South Africa (IRCSA) offers a succinct criticism of the current state of reporting, and the separation of financial from other information.

The string of corporate collapses over the past decade has led many stakeholders to question the relevance and reliability of annual financial reports as a basis for making decisions about an organisation. Reports based largely on financial information do not provide sufficient insight to enable stakeholders to form a comprehensive picture of the organisation's performance and of its ability to create and sustain value, especially in the context of growing environmental, social and economic challenges.

Sustainability reports have similarly suffered weaknesses, usually appearing disconnected from the organisation's financial reports, generally providing a backward-looking review of performance, and almost always failing to make the link between sustainability issues and the organisation's core strategy. For the most part, these reports have failed to address the lingering distrust among civil society of the intentions and practices of business. Stakeholders today want forward-looking information that will enable them to more effectively assess the total economic value of an organisation. (Mervyn King's Foreword, IRCSA 2011: 1)

By incorporating sustainability information into wider corporate reporting, organisations, their shareholders, and other stakeholders can present or assess the material impacts of non-financial risks or expectations on the company more appropriately, presenting a more rounded and valuable picture of an organisation's circumstances.

Environmental, social and ethical information is not just information that communicates the reporting entity's social conscience: it includes matters that may have a material impact on an organisation's long-term performance. Integrated reporting could be a way of showing this impact.

The IIRC describes integrated reporting as follows.

[Bringing] together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organisation demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and, importantly, shows the connectivity between them; and explains how they affect the ability of an organisation to create and sustain value in the short, medium and long term. (IIRC 2011: 6)

The IIRC has also set out six guiding principles to underpin integrated reporting: strategic focus; connectivity of information; future orientation; responsiveness and stakeholder inclusiveness; conciseness; and reliability and materiality.

The IIRC also suggests a series of benefits that might be achieved through implementing integrated reporting, including:

- better alignment of reported information with investor needs; availability of more accurate non-financial information
- higher levels of trust among key stakeholders
- better resource-allocation decisions, including cost reductions; enhanced risk management
- better identification of opportunities
- greater engagement with investors and other stakeholders, including current and prospective employees, which will improve attraction and retention of skills
- lower reputational risk
- lower cost of, and better access to, capital because of improved disclosure, and
- the development of a common language and greater collaboration across different functions within the organisation.

STATUS QUO

Much of today's non-financial reporting is driven by regulatory requirements or sector-specific exigencies; even without an integrated report, the information would be reported somewhere. For example, many of the reports examined for the present research directly quote the legislation to which certain sections of the report are responding. As another example, South African mining organisations have long recognised the material impact of employee health and safety – on productivity, litigation, etc – and have generally reported this anyway, albeit in stand-alone reports.

Another driving force behind organisations' engagement in social and environmental reporting is the desire to have a reputation as a company with good social and environmental credentials. Implats and Bidvest, two of the companies included in this research, both point out in their annual reports that they are listed in the JSE Responsible Investment Index.

2. The research

To assess the impact of integrated reporting on the reporting practices of South Africa's biggest companies, this report looks at the last non-integrated reports and the first integrated reports of ten companies with primary listings on the JSE, representing high environmental or social impact sectors.

The research examined the prevalence of three groupings of information across the reports from different years: environmental, social, and ethical. Within each group was a list of 'items' of information, which changed from company to company depending on their industry. The number of sections in which each item appeared in each annual report was noted.

For all the companies, the largest number of items appears under the 'social' group, which reflects the historic significance of social issues for South African companies, especially HIV/AIDS and matters relating to black economic empowerment after the end of Apartheid.

The research considered the following factors.

- Cumulative change over time (CCOT): this measures the cumulative change in the number of sections (eg operating review, corporate governance review, etc) in which each item of environmental, social, or ethical information is found for the years examined.
- The percentage of positive changes in the number of sections: this measures the percentage of items in each grouping (social, environmental and ethical) that are reported in an increased number of sections over the period examined.
- The percentage of positive changes or no change in the number of sections: this measures the percentage of items in each grouping that are reported in an increased or the same number of sections over the period examined.

LIST OF COMPANIES AND THEIR SECTOR

- Impala Platinum, mining
- Group 5, construction and materials
- Exxaro, mining
- PPC, construction and materials
- Sasol, oil and gas
- Barloworld, general industrials
- Goldfields, mining
- Sappi, forestry and paper
- Bidvest, general industrials
- Royal Bafokeng, mining

MEASURING INTEGRATION

The CCOT score for each of the items was almost entirely positive. This means that the environmental, social, and ethical items that the research examined appeared in more sections after the introduction of mandatory integrated reporting than they did in the year before. Overall, the CCOT scores were higher for the social group, with ethical CCOT scores being the lowest.

The increased number of sections in which the items appear does suggest that the switch to integrated reporting has succeeded in giving social, environmental and ethical information greater presence throughout the corporate report as a whole and has in many cases resulted in the inclusion of important items of social, environmental and ethical impact in core sections such as the operating review rather than being limited to a 'sustainability review'. The findings suggest that social environmental and ethical information is no longer marginalised but integrated into the heart of the primary reporting tool.

As a percentage, the increase in the number of sections in which social items appeared ranged from 35% in one company to 85% in another. Items in the environmental group saw percentage increases ranging from 19% to 100%. In some cases, however, there was no increase in the spread of ethical items throughout the integrated report; it seems companies have focused on social and environmental reporting rather than looking at the entity's practices in respect of such things as bribery, corruption and transparency. On the plus side, instances where items were reported in fewer sections of the integrated report than was the case in earlier reports were exceedingly rare.

A CHANGING APPROACH TO RISK

One key theme that emerged from the research is the growing focus on risk and risk management throughout the reports looked at, particularly the risk implications of traditionally 'non-financial' information. It appears that the organisations examined have had a growing realisation that non-financial issues have financial implications; this implies a more developed understanding of the potential risk associated with mismanaging social, environmental and ethical issues.

Group 5's approach to sustainability reporting, for example, conveys an attitude of genuine commitment to the integration of these issues into the core risk-management strategy.

Another key point to take from Group 5's approach is the treatment of sustainability issues as issues grounded in materiality and risk; these are key components of integrated reporting.

Exxaro, Goldfields, and Bidvest each also highlighted climate change risks as part of their sustainability report.

MATERIALITY

The integrated reports were characterised by more frequent references to materiality compared with earlier reports – mandated by the JSE reporting requirements – as well as risk. Even so, the reports do not explain in any detail how materiality decisions are made or what materiality actually means in the given context.

One common social item detailed as a material risk in the research was South Africa's shortage of skilled workers, with several companies outlining their approach to human capital development. The best-practice approach to materiality came from Exxaro's 2010 report, which included a section on 'Material Issues' that illustrates the social and environmental issues that the company deems to be material and to have a financial impact.

'Materiality' does seem to present a challenge for organisations though as it can be difficult to establish for traditionally 'non-financial' factors. Exxaro's board attempt to explain how they made their materiality decisions in the company's 2010 report:

Three years ago the group reviewed how it manages key risks and issues of sustainability. During our evaluation we found that both our management of these issues, as well as the gathering of information and subsequent reporting were somewhat disconnected from how we were managing and monitoring our strategy. We therefore commenced a process of integrating our processes and systems to ensure a holistic approach to risk and its impact on our business...This model indicates how sustainability forms a core part of our operations...In a further step towards providing stakeholders with an understanding of our key risks and how we manage them, this year we increasingly aligned the content of our integrated report with the needs and interests of stakeholders and with management's view on our key risks and material issues. (Group 5 2010: 52)

QUANTIFICATION

Throughout the reports, over time, there was increasing use of non-financial key performance indicators (KPIs), such as the fatal injury frequency rate. Financial data relating to capital expenditure on social and environmental projects or policies were also increasingly reported over the time period examined. Implats, for example included financial data on the company's socio-economic policies, including housing, training, and health, and its environmental policie, in the notes to the financial statements of the 2011 and 2010 reports. Nonetheless, no company included social, ethical or environmental information in its latest ten-year reviews, indicating the relative newness of such information.

NEW REPORTING ITEMS AND SECTIONS

Many of the non-financial items for which the researchers were looking were not actually present in the reports until after integrated reporting was introduced. New sections appeared too, with a greater diversity of sections that emphasised sustainability-related issues in later reports. These included sections on 'Planet' or 'Environment Reviews'. The inclusion of whole new sections could, however, represent a limitation of the CCOT measure.

Regardless of this potential issue with sections, the inclusion of new items is promising. On social reporting, Impala and Sasol do not give details on HIV/AIDS in their 2009 reports but provided information in their later reports. On ethical information, Impala and Exxaro do not discuss transparency in their 2009 reports but do in later reports.

Similarly, Barloworld and Royal Bafokeng Holdings do not mention accountability in the earliest of their reports. In their environmental reporting, after 2009 Impala include climate change and biodiversity, Exxaro publish information about renewable energy, and both PPC and Barloworld report on recycling.¹

Carbon offsetting is an issue that arises in later reports, with Exxaro and Barloworld's 2010 reports both mentioning these organisations' car rental agreements with Avis. Reporting on carbon footprints appears to be in development, with Exxaro's 2010 report asserting that the company's data management and reporting was 'steadily maturing'.

1. Note that it cannot be assumed that these newly appearing items did not feature in reports predating the sample assessed for this research.

STAKEHOLDER INCLUSION

One of the most important changes seen in the reports is a shift towards more stakeholder-orientated reporting; this is very noticeable in the chairman's statement and chief executive's review (or equivalents)

The latest, integrated, reports include lengthy rhetoric about a claimed belief in links between stakeholder accountability and long-term value or wealth creation. There is also a discourse of care for stakeholders emerging in the integrated reports, and a greater level of attention is given to stakeholder engagement than in earlier reports.

This focus on stakeholder engagement does present a change from earlier reports. It may be the case that long-established beliefs are only now being made explicit in reports, having previously been implied, but it is a change nonetheless.

Symptomatic of this emerging stakeholder rhetoric is the growth of 'Vision and Values' statements and other similar statements of ethos. Implats' 2010 report, for example, assures us that:

The risk management process is continuous, with well-defined steps. Risks from all sources are identified and once they pass a set materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and mitigating controls is reviewed. (Exxaro 2010: 24)

INTEGRATING SOCIAL, ENVIRONMENTAL, AND ETHICAL ISSUES INTO CORPORATE GOVERNANCE

In the later reports, board structure and board performance are increasingly discussed in relation to KPIs on social and environmental factors in a way that portrays integration as part of the company's governance process. For example, the performance of the CEO is reported in relation to the company's performance on safety and stakeholder engagement indicators, perhaps embodying the essence of integrated reporting.

The introductory sections to Group 5's 2011 report state that safety performance is embedded in the company's remuneration structures and performance appraisal.

Our senior management remuneration is linked to performing against both financial and non-financial measures, further driving the centrality of sustainability. We also implemented a group scorecard measuring ratios across people, planet and performance to give an integrated view to the reader of how we perform across the board. (Group 5 2010: 52)

Safeguarding the health and safety of our employees, and caring for the environment in which we operate; Acting with integrity and openness in all that we do and fostering a workplace in which honest and open communication thrives; Promoting and rewarding teamwork, innovation, continuous improvement and the application of best practice by being a responsible employer, developing people to the best of their abilities and fostering a culture

of mutual respect among employees; Being accountable and responsible for our actions as a Company and as individuals; Being a good corporate citizen in the communities in which we live and work. (Implats 2011)

Nonetheless, there is a relatively lower presence of environmental information in the corporate governance sections of later reports. These issues tend to be discussed elsewhere.

To summarise, an important development in the reporting is that a number of mechanisms of governance and accountability are now beginning to be used to enhance social and environmental accountability in the companies studied, including: remuneration structures (through the inclusion of non-financial KPIs to determine remuneration); performance evaluations (through the use of non-financial KPIs to assess individual performance); remit of directors (to include performance against social, environmental and ethical targets); the creation of a Safety, Health, and Environment committee; and the inclusion of social, environmental and ethical issues within the companies' systems of internal control and risk management.

Linked to this increase in governance mechanisms is the emergence of new roles and responsibilities within the companies under study. For example, in the later reports particular people are designated with responsibility for environmental concerns and for stakeholder engagement.

THE EVOLUTION OF INTEGRATED REPORTING

Throughout the integrated reports of the organisations in the research, there is the implication that the organisations do not yet believe that they have produced a truly integrated report.

This is from Group 5's 2011 report:

Although the group believes that the risks outlined in our integrated report this year are the material issues facing the business and that we have assured the areas we believe are most relevant to our business, in the coming year we need to formalise our assessment processes. This involves finalising a work plan, led by internal audit and assisted by the CFO...This is currently work in progress. In the next integrated report the group will provide stakeholders with a gap analysis and information on any further key assurances obtained. (Group 5 2011: 52)

There have also been some apparent teething troubles in the integrated reports, most notably with the issue of repetition or excessive detail. Despite an increase in integration and the change in orientation of section headings in the reports, there is a high incidence of repetition as well as excessive detail. This is a distinct weakness of the integrated reports in the research. Without seeking to diminish in any way the importance of reporting fatalities, for example, in some cases the same information is recorded, in slightly different phrasing, many times throughout the report.

The integrated information also tends to be essentially discursive, apart from the few KPIs recording principally social information (although there is an increasing prevalence of greenhouse gas accounting and reporting, an emergent area of reporting worldwide).

Assurance is not yet mandatory for integrated reports but generally the reports all give 'limited' assurance statements that declare that 'nothing has come to our attention...'. Clearly, the process of assurance for integrated reporting is yet to evolve.

These teething troubles are to be expected. As IRCSA admit:

Integrated reporting is a journey. Organisations are unlikely to achieve perfection in the first year. However, as reporting processes for the production of the supporting information are designed and improved and as the executive team begins to benefit from a more informed implementation of the governing structure's decisions, reporting will improve. Interactive communication with key stakeholders is fundamental to the success of integrated reporting as engagement leads to knowledge of the stakeholders' legitimate interests and expectations. (Mervyn King's Foreword, IRCSA 2011: 2)

3. Conclusion and recommendations – where next?

The research suggests that integrated reporting has both positive and negative impacts on the treatment of social, environmental and ethical information in the annual reports of the organisations analysed.

The introduction of integrated reporting has resulted in an increase in the quantity of social, environmental and ethical information provided in the annual reports of companies on the JSE. Such information appears throughout a significantly greater number of sections of the reports for 2010/2011 than is the case in reports for 2009. In the earlier reports, this information tends to be restricted to specific sections, usually a sustainability report and a mention in the chairman's statement.

Nonetheless, a striking weakness of the integration of social, environmental and ethical information is the way in which certain items of information are repeated (with slightly different phrasing), often excessively, throughout the reports. Such repetition perhaps suggests that the companies were making the most of a relatively small amount of information. Alternatively it may be that the companies had scant understanding of how to approach integrated reporting. Perhaps the

companies are unclear as to exactly what an integrated report 'should' look like and what it 'should' include.

Although there is some guidance it is not prescriptive (which again is both a 'good' and a 'bad' thing). The only real guidance is that the information has to be material, but in relation to sustainability reporting, materiality has been found to be a very complex concept.

The research has also identified a number of themes that characterise the introduction of integrated reporting on non-financial issues: the crucial importance of materiality; an evolving discourse of risk and risk management; an increasing tendency towards quantification; the emergence of new reporting items; the emergence of new sections in the reports; the increasing integration of social, environmental and ethical information into corporate governance; integrated reporting as an evolutionary process; and the evolving approach to providing assurance of the social, environmental and ethical information in the reports.

A CHALLENGE FOR THE IIRC AND SUSTAINABILITY REPORTING

One of the most interesting findings of the research is the shift in a matter of a few years from an exclusive focus on shareholders to reports that expound directors' claimed belief in stakeholder accountability and engagement. This change may reflect a genuine belief, or it may not. It may mean that organisations are seeking to legitimise themselves more explicitly in the eyes of society, but it could also indicate that the directors' priorities have changed. Whatever the cause, the change is marked.

This 'stakeholder engagement' approach could present a challenge to the IIRC, whose recent documentation suggests that it does not favour such an approach. Instead, the IIRC's focus has been on the production of integrated reporting for decision-making purposes, and for shareholders. Indeed, the IIRC itself has made clear its emphasis on shareholder, not stakeholder, accountability.

Initially, however, the IIRC intends to focus the development of the framework on the needs of investors (providers of debt and equity), consistent with the current duties of those charged with governance in many jurisdictions. (IIRC 2011: 8)

Moreover, while the IIRC recognises stakeholder 'inclusivity and responsiveness' as one of the guiding principles of integrated reporting, its view of stakeholder inclusivity seems more reminiscent of corporate capture of stakeholders rather than engagement for accountability purposes.

Stakeholders provide useful insights about matters that are important to them, including economic, environmental and social issues. This assists the organisation to: identify material issues; develop and evaluate strategies; and manage activities, including strategic and accountable responses to material issues. (IIRC 2011: 13)

Neither approach is necessarily the 'right' approach, but the differences will have to be tackled by the IIRC at some point.

The emergence of integrated reporting presents new opportunities but also new challenges for the sustainability reporting agenda. Although the concept of an integrated report should embed sustainability reporting into the heart of the primary corporate reporting vehicle, the annual report, this does not necessarily imply that the reporting will fulfil its potential for transforming corporate behaviour or will not produce merely empty rhetoric.

FURTHER RESEARCH

There are some limitations to this research, as well as insights, which make further research necessary.

Looking at limitations to this research, it may be the case that the sample period used was too short. As a point of comparison, when the UK introduced mandatory Operating and Financial Reviews (OFRs) many companies had pre-empted this by publishing OFRs in the preceding years as best practice. It is possible that the South African companies had done likewise with their integrated reports, making 2009 – the last year before the introduction of mandatory integrated reports – an inappropriate point of comparison. Further research would extend the time period much earlier.

In addition, the analysis in this research could be, not entirely unreasonably, characterised as 'crude', as it provides only a rough indication of the increase in integration of non-financial information; improved quantitative indicators could improve the survey. Lastly, the sample could be extended to include companies in 'low impact' industries, to gauge the effect of integrated reporting there.

Despite these limitations, the research raises questions that need to be considered in further detail. The views

of primary user groups (institutional investors) and less financially powerful stakeholders should be sought on integrated reporting. Users need to be asked whether they believe that integrated reporting:

- produces reports that are more useful for decision-making purposes than earlier reports
- enhances organisations' accountability to them as stakeholders
- falls short in any way, or
- could be improved.

Before extending integrated reporting internationally, the views of those with direct experience of it should be taken into account.

RECOMMENDATIONS

Several recommendations can be drawn from this research.

- The way in which information is set out could be more concise to avoid repetition.
- The form of reporting could be extended to incorporate more feedback from consultation with stakeholders regarding social and environmental issues and corporate responsiveness to feedback.
- Rather than merely repeating KPIs or 'material' information throughout a report, the way in which information is portrayed could be more concise to avoid repetition; merely increasing the apparent quantity of information in a report by repeating it does not equal effective integration.
- Firms should solicit the views of their major stakeholders in relation to the social, environmental and ethical information (and underlying policies and practices) that they report, and include these views within the reports.
- Academics can and should play a significant role in researching the framework and its applicability.
- Academics should, can and do play an important role in educating potential managers and users in integrated reporting through university and professional education in which they are involved.

KEY POINTS

- There was a significant increase in the quantity of social, environmental and ethical information reported in the 2010–11 annual reports of the sample companies.
- The evidence of integration of social, environmental and ethical information is that it appears throughout a significantly greater number of sections of the reports for 2010–11 than is the case in reports for 2009. In the earlier reports, this information tends to be restricted to specific sections, usually a sustainability report and a mention in the chairman's statement.
- A striking weakness of the integration of social, environmental and ethical information is the way in which certain items of information are repeated, often excessively, throughout the reports.
- While there has been a substantial uplift in the reporting of social and environmental information, this uplift has been less substantial for ethical information.
- The impact of integrated reporting on the social, environmental and ethical information supplied can be characterised by the following themes: the crucial importance of materiality; an evolving discourse of risk and risk management; an increasing tendency towards quantification; the emergence of new reporting items; the emergence of new sections in the reports; and the increasing integration of social, environmental and ethical information into corporate governance
- The reports are imbued with stakeholder accountability rhetoric. Within a couple of years, companies have shifted from reporting that is aimed exclusively at their shareholders to reports that expound the directors' claimed belief in stakeholder accountability and stakeholder engagement. The introduction of integrated reporting appears to have created a new set of priorities for the directors, expressed through the reporting.
- Although the concept of an integrated report should embed sustainability reporting into the heart of the primary corporate reporting vehicle, the annual report, this does not necessarily imply that the reporting will fulfil its potential for transforming corporate behaviour or will not produce merely empty rhetoric.

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