

INTEGRATED REPORTING OF GLOBAL CORPORATIONS: A CONTENT ANALYSIS BASED ON INTEGRATED REPORTING EXAMPLES DATABASE FROM 2011 TO 2016*

Prof. Dr. Seval KARDEŞ SELİMOĞLU**

Res. Asst. Gül YEŞİLÇELEBİ***

Muhasebe Bilim
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ABSTRACT

This study aims to reveal integrated reporting situation in the world. For this purpose, the study has been done by using content analysis aimed at all reports which are recorded in integrated reporting examples database on August 2017. While the reports examine, organization profile and general features of integrated reports were identified as two main criteria in the study. According to the data were obtained from the database, total of 256 integrated reports were published by 150 organizations in the world between the years 2011 to 2016. In most of the reports in the database, information about guidelines principles and content elements that identified in the international integrated reporting framework determined as stated in the annual reports of organization. Corporate reports that published namely as integrated annual reports have been found to be most in South Africa. Mainly integrated reports were prepared by organizations which operate in the financial services sectors.

Keywords: Integrated Reporting, Corporate Reporting, Corporate Sustainability, International Integrated Reporting Council, Content Analysis

JEL Classification: M14, M40, Q56

KÜRESEL KURULUŞLARIN ENTEGRE RAPORLAMASI: ENTEGRE RAPORLAMA ÖRNEKLERİ VERİTABANINDA 2011-2016 YILLARI ARASINDA YAYINLANAN RAPORLARIN İÇERİK ANALİZİ

ÖZ

Bu çalışmada entegre raporlamanın dünyadaki durumunun ortaya çıkarılması amaçlanmaktadır. Bu amaç doğrultusunda, çalışma Ağustos 2017 tarihi itibarıyla, entegre raporlama örnekleri veri tabanında yer alan tüm raporların içerik analizine tabi tutulmasıyla yapılmıştır. Bu raporlar incelenirken entegre

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** Anadolu University, Department of Business Administration, orcid.org/0000-0003-1185-9980, sselimoglu@anadolu.edu.tr

*** Gumushane University, Department of Business Administration, orcid.org/0000-0001-8558-4452, gvesilcelebi@hotmail.com

rapor yayınlayan kuruluşların genel profili ve yayınlanan entegre raporların genel özellikleri iki temel ölçüt olarak belirlenmiştir. Veri tabanından elde edilen verilere göre 2011-2016 yılları arasında dünyada toplam 150 kuruluş tarafından 256 rapor yayınlanmıştır. Veri tabanında yer alan raporların çoğunda, uluslararası entegre raporlama çerçevesinde belirtilen kılavuz ilkeler ve içerik öğelerine ilişkin bilgilere kuruluşların faaliyet raporlarında yer verdiği tespit edilmiştir. Entegre yıllık rapor adı altında yayınlanan kurumsal raporların da en çok Afrika bölgesinde olduğu görülmüştür. Ağırlıklı olarak finansal hizmetler sektöründe faaliyet gösteren kuruluşlar tarafından entegre rapor hazırlandığı tespit edilmiştir.

Anahtar Kelimeler: Entegre Raporlama, Kurumsal Raporlama, Kurumsal Sürdürülebilirlik, Uluslararası Entegre Raporlama Konseyi, İçerik Analizi

JEL Sınıflandırması: M14, M40, Q56

1. INTRODUCTION

Recently, more corporations disclose both financial and non-financial information about their organization. Firstly, organizations have preferred to disclose their corporate social responsibility or corporate sustainability reports and the economic, environmental and social dimension to the public. Past decade, integrated reports are important. The market value of company or organization has slowly shifted from tangible assets to intangible assets, in the last 35 years, and the concept of value has fundamentally changed day by day (EY 2014, 1).

The history of the integrated reporting is based on the 1994 mandate of Nelson Mandela to establish Mervyn King's Committee to encourage transparency and information sharing in order to reduce the distrust of institutions in South Africa (ERTA 2017). Along this process, King I report published in 1994, King II report published in 2002, King III report published in 2009 and finally King IV report published in 2016 (IoDSA 2017) in order to provide to report the results of the company's social, environmental and financial responsibilities. The integrated reporting concept was introduced in South Africa through the King III report in 2009. Following the King reports, the Johannesburg Stock Exchange adopted King III Principles for all companies traded on the stock exchange in 2010 (EY 2014) and required all listed companies to issue integrated reports. Consequently, South Africa was the first country to order integrated reporting for listed companies (ERTA 2017).

This study aims to reveal integrated reporting situation in the world. For this purpose, the study has been done by using content analysis aimed at all reports which are recorded in

integrated reporting examples database on August 2017. In this context, the study was conducted on 256 integrated reports.

The rest of the paper is structured as follows. Next section explains integrated reporting and integrated reporting framework. Section three continues with methodology. Section four analyzes results. Section five concludes.

2. INTEGRATED REPORTING AND INTEGRATED REPORTING FRAMEWORK

Integrated report is defined at integrated reporting framework as “an integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.” (IIRC 2013a, 7). According to King III report integrated reporting means “a holistic and integrated representation of the company’s performance in terms of both its finances and its sustainability.” (IoDSA 2009, 108). On the other hand, “integrated reporting is a concept that has been created to better articulate the broader range of measures that contribute to long-term value and the role organizations play in society.” (EY 2014, 1). Integrated report as “a single report that combines the financial and narrative information found in a company’s annual report with the nonfinancial (such as environmental, social, and governance issues) and narrative information found in a company’s ‘corporate social responsibility’ or ‘sustainability’ report.” (Eccles and Krzus 2010, 10).

In December 2013, the International Integrated Reporting Council (IIRC) released The International Integrated Reporting Framework. International <IR> Framework provides principles-based guidance for organizations and IR aims to (IIRC 2013a, 2):

- “Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital
- Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies

- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.”

Two fundamental concepts are defined in the IR framework: value creation and the capitals. Figure 1 illustrates the categorization of the capitals in the IR framework.

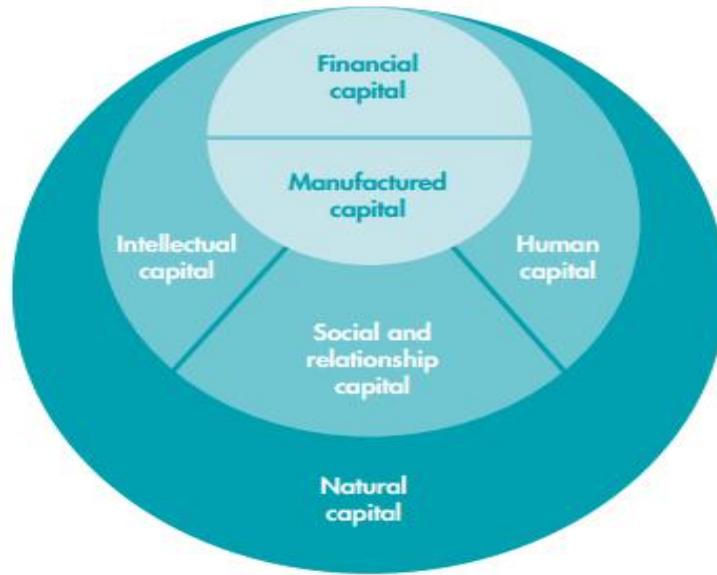


Figure 1. Categorization of the Capitals in the IR Framework

Source: IIRC 2013b, 3.

Figure 1 shows that six capitals: financial, manufactured, intellectual, human, social and relationship, and natural capital. The six capitals are defined in the IR framework (IIRC 2013a, 11-12):

Financial capital is defined as “the pool of funds that is a) available to an organization for use in the production of goods or the provision of services and b) obtained through financing, such as debt, equity or grants, or generated through operations or investments.”

Manufactured capital is defined as “manufactured physical objects that are used in the production of goods or the provision of services, including buildings, equipment and infrastructure.”

Intellectual capital is defined as “organizational knowledge-based intangibles, including intellectual property and “organizational capital” such as tacit knowledge.”

Human capital is defined as “people’s competencies, capabilities and experience, and their motivations to innovate, including their ability to implement strategy, loyalties and motivations.”

Social and Relationship capital is defined as “the institutions and the relationships within and between communities and groups of stakeholders, including shared norms, trust and reputation.”

Natural capital is defined as “all renewable and non-renewable environmental resources and processes that provides goods or services including air, water, land, and eco-system health.”

The Guiding Principles underpin the preparation of an integrated report, informing the content of the report and how information is presented (IIRC 2013a, 5). These seven principles are strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, consistency and comparability. Guidelines Principles of definition in the IR framework were given in Table 1.

Table 1. Guidelines Principles of Definition in the IR Framework

Guidelines principles	Definition
Strategic focus and future orientation	“An integrated report should provide insight into the organization’s strategy, and how it relates to the organization’s ability to create value in the short, medium and long term, and to its use of and effects on the capitals.”
Connectivity of information	“An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time.”
Stakeholder relationships	“An integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.”
Materiality	“An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term.”
Conciseness	“An integrated report should be concise.”
Reliability and completeness	“An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.”

Consistency and comparability

“The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time.”

Source: IIRC 2013a, 5.

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive (IIRC 2013a, 5). These elements are organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and basis of preparation and presentation. The Content Elements of definition in the IR framework were given in Table 2.

Table 2. Content Elements of Definition in the IR Framework

Content elements	Definition
Organizational overview and external environment	“What does the organization do and what are the circumstances under which it operates?”
Governance	“How does the organization’s governance structure support its ability to create value in the short, medium and long term?”
Business model	“What is the organization’s business model?”
Risks and opportunities	“What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them?”
Strategy and resource allocation	“Where does the organization want to go and how does it intend to get there?”
Performance	“To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?”
Outlook	“What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?”
Basis of preparation and presentation	“How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?”

Source: IIRC 2013a, 5.

3. METHODOLOGY

In order to reveal integrated reporting situation in the world, content analysis was used in the study. All reports which are recorded in integrated reporting examples database (IR 2017a) on August 2017 were examined. The period covers between the years 2011 to 2016. While the reports examine, organization profile (sectors of organizations, at which region they operate, organization type) and general features of integrated reports (published report name, published year, content elements, guidelines principles, fundamental concepts identified in the integrated reporting framework) were identified as two main criteria in the study.

4. RESULTS

According to the data obtained from the database, total of 256 integrated reports were published by 150 organizations in the world between the years 2011 to 2016. Organizations at which region they operate were given in Figure 2.

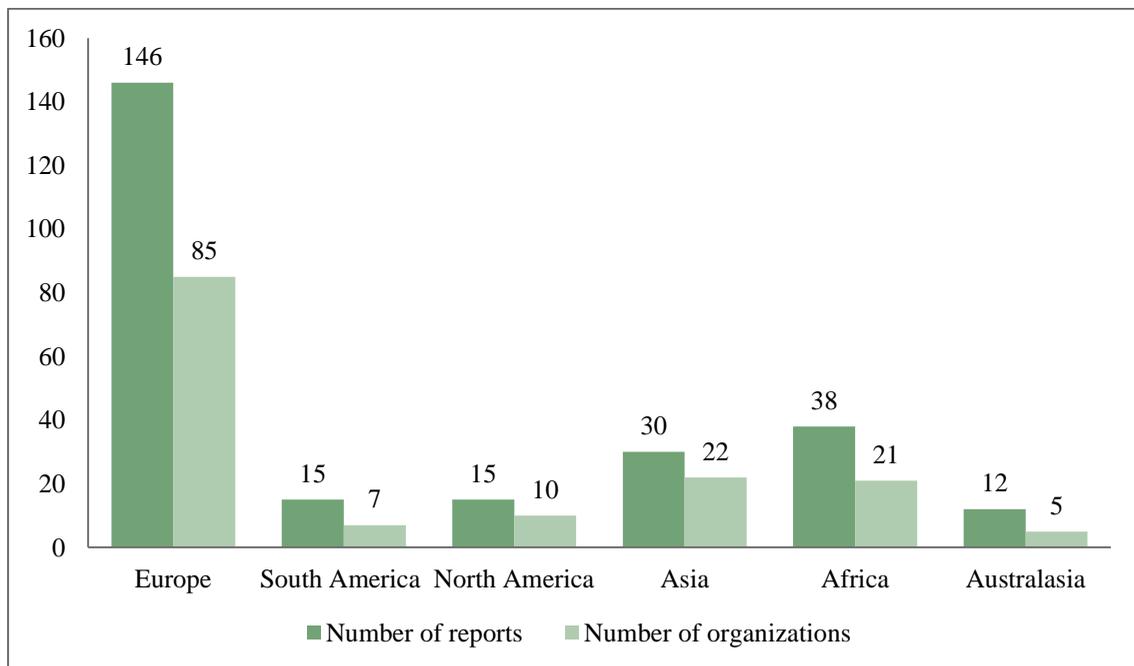


Figure 2. Organizations at Which Region They Operate

As seen in Figure 2, all reports divided into six regions. 146 reports were published by 85 organizations in the Europe region, 15 reports were published by 7 organizations in the South America region, 15 reports were published by 10 organizations in the North America region, 30

reports were published by 22 organizations in the Asia region, 38 reports were published by 21 organizations in the Africa region and 12 reports were published by 5 organizations in the Australasia region. Turkey was classified in the Europe region. Although there were only five organizations that published an integrated report in Turkey, only one report from Turkey was recorded to the IR database. The integrated report was prepared by Türkiye Sınai Kalkınma Bankası (TSKB) in 2016. The report is also the first integrated report of the Turkish financial sector. Sectors of organizations/reports were given in Figure 3.

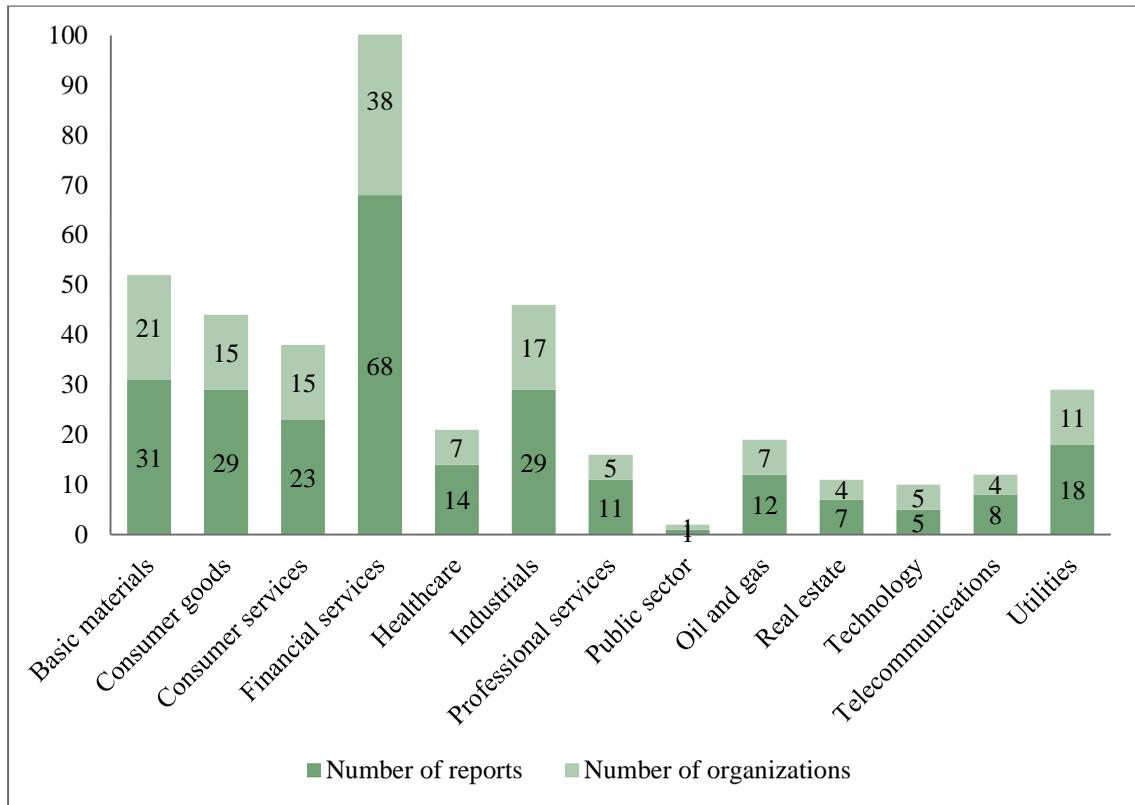


Figure 3. Sectors of Organizations/Reports

According to Figure 3, all reports divided into thirteen sectors. 31 reports were published by 21 organizations in the basic materials sector, 29 reports were published by 15 organizations in the consumer goods sector, 23 reports were published by 15 organizations in the consumer services sector, 68 reports were published by 38 organizations in the financial services sector, 14 reports were published by 7 organizations in the healthcare sector, 29 reports were published by 17 organizations in the industrials sector, 11 reports were published by 5 organizations in the

professional services sector, 1 report was published by an organization in the public sector, 12 reports were published by 7 organizations in the oil and gas sector, 7 reports were published by 4 organizations in the real estate sector, 5 reports were published by 5 organizations in the technology sector, 8 reports were published by 4 organizations in the telecommunications sector and 18 reports were published by 11 organizations in the utilities sector. Organization type was given in Figure 4.

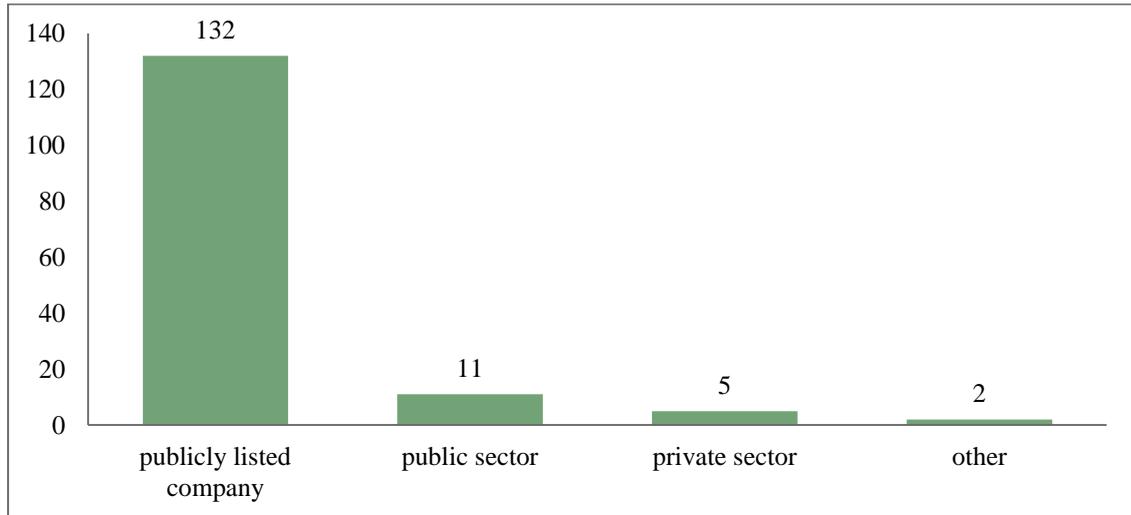


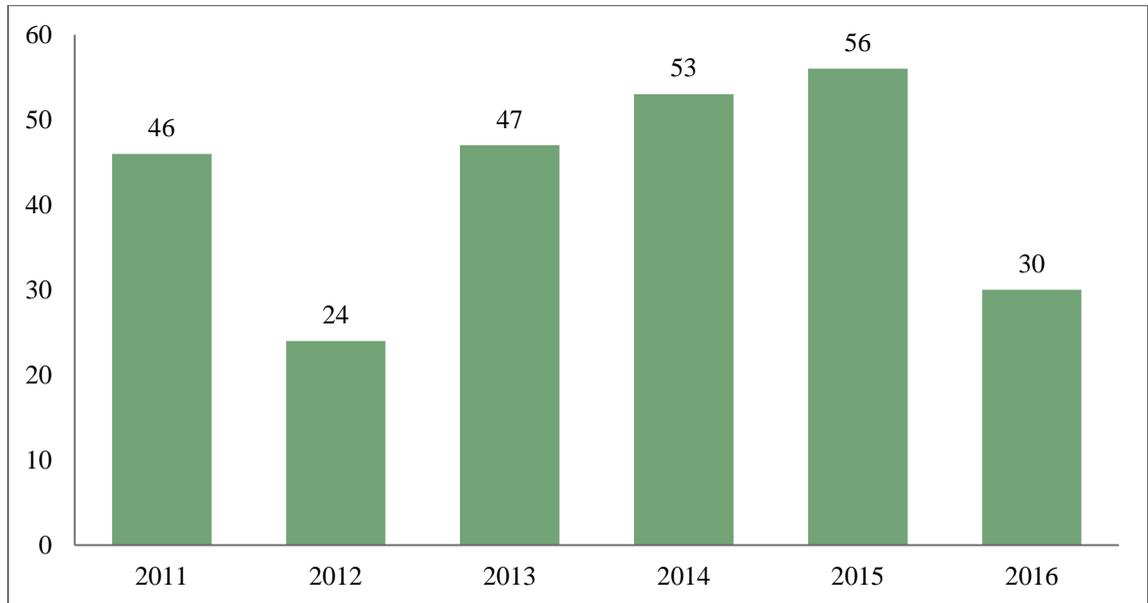
Figure 4. Organization Type

As seen in Figure 4, organization types divided into four types, namely publicly listed company, public sector, private sector and other. 132 organizations were operated as publicly listed company, 11 organizations were operated as public sector, 5 organizations were operated as private sector, and 2 organizations were operated as other. Published report name was given in Table 3.

Table 3. Published Report Name

Year	integrated report	annual report	sustainability/csr report	annual review	integrated review
2016	20	10	-	-	-
2015	26	25	3	2	-
2014	13	36	1	3	-
2013	20	24	-	2	1
2012	7	10	4	3	-
2011	15	22	5	4	-
Total	101	127	13	14	1

As it can be seen in Table 3, organizations were published their corporate reports namely as integrated reports, annual reports, sustainability/corporate social responsibility reports, annual review and integrated review. 101 reports were published namely as integrated report, 127 reports were published namely as annual report, 13 reports were published namely as sustainability/csr report, 14 reports were published namely as annual review and 1 report was published namely as integrated review. Published year was given in Figure 5.

**Figure 5. Published Year**

According to Figure 5, 46 reports were published in the 2011, 24 reports were published in the 2012, 47 reports were published in the 2013, 53 reports were published in the 2014, 56 reports were published in the 2015 and 30 reports were published in the 2016. Guidelines principles in IR framework were given in the Table 4.

Table 4. Guidelines Principles in IR Framework

Guidelines principles	Number of reports
Strategic focus and future orientation	137
Connectivity of information	153
Stakeholder relationships	96
Materiality	67
Conciseness	109
Reliability and completeness	20
Consistency and comparability	19

Guidelines principles consisted of seven principles. Strategic focus and future orientation was included in the 137 reports, Connectivity of information was included in the 153 reports, Stakeholder relationships was included in the 96 reports, Materiality was included in the 67 reports, Conciseness was included in the 109 reports, Reliability and completeness was included in the 20 reports, Consistency and comparability was included in the 19 reports. Content elements in IR framework were given in the Table 5.

Table 5. Content elements in IR framework

Content elements	Number of reports
Organizational overview and external environment	64
Governance	21
Business model	75
Risks and opportunities	50
Strategy and resource allocation	61
Performance	35
Outlook	14
Basis of preparation and presentation	11

According to IIRC framework, content elements are divided eight elements. Organizational overview and external environment element was included in the 64 reports, Governance element was included in the 21 reports, Business model was included in the 75 reports, Risks and opportunities was included in the 50 reports, Strategy and resource allocation was included in the 61 reports, Performance was included in the 35 reports, Outlook was included in the 14 reports, Basis of preparation and presentation was included in the 11 reports. Fundamental concepts in IR framework were given in the Table 6.

Table 6. Fundamental Concepts in IR Framework

Fundamental concepts	Number of reports
Value creation	81
The capitals	51

Fundamental concepts were identified in the integrated reporting framework as value creation and the capitals. Value creation was identified in the 81 reports and the capitals were identified in the 51 reports.

According to IR database (IR 2017b) several reporting awards were given by 11 organizations (Australasian Reporting Awards, EY Excellence in Integrated Reporting Awards, PwC's Building Public Trust 'Excellence in reporting' awards, Benchmarked reports, CSSA Integrated Reporting Awards, WICI (Japan) Awards for Integrated Reporting, Nkonki State-Owned Company Integrated Reporting Awards, Nkonki Top 100 JSE Listed Companies Integrated Reporting Awards, Sijthoff Prize, SAFA Awards and Nikkei Annual Report Award) in order to select best examples of integrated report – or recognized reports; the most awards in the field of integrated reporting were given African organizations.

5 .CONCLUSION

In this study, conducted on integrated reporting, a total of two main criteria were included. In recent years, the number of organizations that prefer to disclose both financial and non-financial

information -the financial, manufactured, intellectual, human, social and relationship and natural dimension of their activities through integrated reports are increasing.

According to the data were obtained from the IR database, total of 256 integrated reports were published by 150 organizations in the world between the years 2011 to 2016.

The reports have been published mostly in European region. 146 reports were published by 85 organizations in the Europe region. Mainly integrated reports were prepared by organizations which operate in the financial services sectors. 68 reports were published by 38 organizations which operate in the financial services sector. Most of organizations which published corporate reports were operated as publicly listed company. 132 organizations were operated as publicly listed company.

The study results show that number of published integrated reports increase day by day. There were only five organizations that published an integrated report in Turkey where four of them are companies and one of them is a non-governmental organization, but only one report was recorded to the IR database. The integrated report was prepared by Türkiye Sınai Kalkınma Bankası (TSKB) in 2016. This situation shows that integrated reporting in the early stages of development in Turkey.

Moreover, in most of the reports in the database, information about guidelines principles and content elements that identified in the integrated reporting framework determined as stated in the annual reports of organization. 127 reports were published namely as annual report. Corporate reports that published namely as integrated annual reports have been found to be prepared mostly in South Africa. In addition, several reporting awards were given by 11 organizations; the most awards in the field of integrated reporting were given to African organizations. Because South Africa was the first country to order integrated reporting for listed companies.

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