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The Compliance of the Integrated Reports Issued by European Financial Companies with the International Integrated Reporting Framework

Ioana Sofian and Mădălina Dumitru *

Department of Accounting and Audit, Bucharest University of Economic Studies, Piața Romană 6, 010374 București, Romania; ioana.sofian@yahoo.com
* Correspondence: madalina.dumitru@cig.ase.ro; Tel.: +40-726-366-679

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Abstract: Integrated reporting (IR) is an emerging practice increasingly capturing the attention of companies. The purpose of this paper is to analyze how the integrated reports issued by companies from the financial sector in Europe are following the guidance of the International Integrated Reporting Framework (IIRF). To achieve this objective, we analyzed the way in which the integrated reports of eight companies are following the guidance provided by the IIRF. As a result, we noticed that the annual report of Generali scored the highest compliance level with the guidance of the IIRF, but each one of the companies stood out with respect to at least one of the guiding principles or fundamental concepts mentioned in the IIRF. Although the companies included in the sample are in different stages of IR adoption, our results contribute to understanding the practice of IR. The conclusions support the use of a tool to measure the compliance of an integrated report to the existing requirements in the context of an industry linked to many other domains.

Keywords: integrated reporting; financial sector; listed companies; framework

1. Introduction

The purpose of a business is to be profitable and have liquid assets. However, beyond financial performance, a company creates and strengthens its market image if it contributes to society's welfare, through social actions and environmental protection.

The promoter of the mix between financial and non-financial (environmental, social and governance—ESG) information is the International Integrated Reporting Council (IIRC) founded in 2010. Its stated vision is to align capital allocation and corporate behavior to wider goals of financial stability and sustainable development through the cycle of integrated reporting (IR) and thinking. In 2011 this organization initiated the Pilot Programme, an approach that involved over 100 entities worldwide and represented the starting point of the issuance of the International Integrated Reporting Framework (IIRF) in 2013. The aim of IR is to promote "a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time", to enhance "accountability and stewardship for the broad base of capitals . . . and promote understanding of their interdependencies" ([1], p. 2).

Although IR is mandatory in only one country in the world (South Africa), there are many companies that publish integrated reports voluntarily. For instance, there were 165 companies included in the IIRC examples database in February 2017. This decision is based on the existence of internal benefits, external benefits and reduced regulatory risk; for example, a better allocation of resources, the company's inclusion in sustainability indices and preparation for a wave of global regulation [2]. Thus, beyond value creation, IR becomes a communication platform between companies and financial markets, facilitating the understanding of the business strategy and how it influences performance and creates value [3]. Notwithstanding all the information available, there are still questions about what it takes for an integrated report to be considered adequate and the extent to which stakeholders actually use these reports in the decision-making process [4,5]. In this article we try to discuss the adequacy of the information disclosed in the integrated reports.

The disclosure of non-financial information is supported by the European Union and by organizations like AccountAbility, the Global Reporting Initiative (GRI), and the United Nations and Sustainability Accounting Standards Board (SASB). Among these, only the GRI, through its sectorial supplements, and the SASB, through its sector classification, emphasize the industry classification of firms. However, the researchers prove that understanding the industry and its associated risks allows companies to improve their ESG reporting, which should be associated with improved transparency to the capital markets [6–15]. For instance, the banking industry is studied due to the influence it has in society and on the environment [7]. The more attractive a sector is for investment, the more an entity can justify adopting IR as an extra impetus to gain investors' trust. The riskier a sector is, the more entities are motivated to publish annual reports of a superior quality to explain the potential benefits they have. Therefore, this type of reporting (but not only this type) should be studied by sector.

The present paper is focused on the financial industry and its objective is to show the extent to which the integrated reports issued in 2016 (for the year 2015) by the companies from the financial sector in Europe (whose reports are included in the IIRC database) followed the IIRF. In order to measure this, we assigned scores for the principles and content elements included in the IIRF using the checklist developed by [16]. The tool was applied to 2015 integrated reports of eight European companies operating in the financial industry. High scores obtained by the companies would indicate that they incorporated the requirements of the IIRF in their integrated reports. We motivate our research with the fact that the observance of an international framework (as opposed to each company using a different set of standards) is particularly important for increasing the quality and comparability of the integrated reports [17].

We chose the financial industry because it is the largest industry based on market capitalization in Europe [18]. An analytical review of the Global Reporting Initiative states that even before the issuance of the IIRF, the financial sector self-declared more integrated reports than any other industry [19]. Financial services were experimenting with IR years before this concept was part of an official document, so there is expected to be a high degree of compliance with the IIRF.

The financial sector can be considered one of the riskier sectors for investment because it is easily influenced by the economic cycle. Thus, when the economy grows, the demand for financial products increases and, when the economy is declining, these companies are the first to be affected [20]. In addition, the financial sector plays an important role in society because it provides protection from risks, it supports the creation of new jobs and companies and enables savings and investment. These responsibilities demand that the companies operating in this sector make a different effort in showing transparency when it comes to reporting non-financial information [21]. Another characteristic of the financial sector is that it is involved in business with firms from many domains. Thus, it is exposed to risks and opportunities associated with many sectors. Following the financial crisis, the industry's reputation was damaged. The governments are trying to prevent another crisis from happening by increasing the regulations. The competition and globalization are intense in these markets [22].

We consider that our paper provides several contributions. First, this paper uses a tested tool to provide recent evidence on how companies understand IR in the context of a dynamic and easily influenceable industry. Every company can use creativity to design its integrated report and to be unique through the data that chooses to disclose. Yet, it is difficult to find a reliable tool to measure and compare "how integrated" is a report and what makes it integrated. Also, most of the researchers exclude the financial companies from their studies, but we consider that they provide an interesting setting for corporate social responsibility (CSR) research. Next, we identify determinants of report quality. Also, the results may be useful for both academics and practitioners because they come from testing a tool to measure the value of integrated reports and, as the checklist's authors also agree, the use of this method offers opportunities for conducting empirical research on integrated reports [16]. It could also contribute to the development of the practice of IR, changing the way in which the IIRF is designed.

The paper is structured as it follows: the next section describes IR in the financial sector, section three presents research objectives and the methods employed, and section four highlights the results obtained. This is followed by section five, which is a discussion that includes the limitations of the study and suggests future directions for research.

2. Description of the Integrated Reporting Concept in General and in the Financial Sector

The IIRC [23] has shown that, after the last global financial crisis, investors lost their trust in traditional reporting and started to analyze the connection between financial performance and sustainable development. This study also shows the disclosure of non-financial information within an integrated report gives investors the ability to influence the behavior of the company. Investment professionals argue that they want more integrated information; more exactly, information they can trust, more clearly linked to the business model, to the company's value creation process, and to risk management [24].

Some of the benefits reported by previous research regarding IR are that it includes present and future information along with past, connects financial and non-financial information, is dedicated to multiple stakeholders, should present concise and material information and assures the transparency of information. The IIRF represents a tool designed for the unitary conception of the integrated reports.

The IIRF was released in April 2013 as a guide to design an integrated report. According to the IIRF, the objective of an integrated report is to explain "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" ([1], p. 7). The integrated report is created especially for the providers of financial capital, but it should benefit all stakeholders interested in this process. IR is about a single document showing a mix of financial and non-financial information, the link between the two, and how these create or affect the value for shareholders and other stakeholders [25].

This framework does not contain any mandatory disclosure requirements for an integrated report; the personal view of each company in communicating its value creation process is appreciated. The IIRF provides fundamental concepts (value creation for the organization and for others, the capital, the value creation process), seven guiding principles (strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability) and nine content elements (organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation, and general reporting guidance). IR encourages the management to strategically approach the impact of such components on the company [26].

Humpfrey, O'Dwyer et al. [27] situated the practice of IR in the organizational field of corporate reporting, along with financial reporting, intellectual capital reporting, social and environmental reporting. An effective corporate reporting involves a clear presentation of the company's strategy and objectives established based on understanding the market context and drivers [28]. The term "effective" refers to the disclosure of information like vision and goals, management approach and performance indicators [29]. An effective integrated report designed according to the reference framework must contain complete information about these issues.

Another content element of an integrated report is represented by the risks and opportunities. Moolman, Oberholzer et al. [30] analyzed this element adopting a double approach. Firstly, they conducted a questionnaire and found that "integrated reporting has driven change towards integrated thinking between strategy, risks and opportunities." Secondly, through a content analysis conducted on a sample of integrated reports prepared by companies listed on the Johannesburg Stock Exchange, they found that most companies observe the disclosures included in the IIRF related with the risks and opportunities, but they fail to make a disclosure regarding the assessment of specific risk.

Ruiz-Lozano and Tirado-Valencia [31] conducted research on the implementation of the IR principles in the reports published by a sample of industrial firms. The highest reporting frequency was registered for strategic focus and future orientation and the lowest for reliability and completeness. The principles are connected with each other, except for the conciseness.

Veltri and Silvestri [32] conducted a case study in order to compare the integrated report issued by a company with the IIRF. The conclusions show that even though the content elements are included as titles in the report, they are not further analyzed. The company did not follow the IR principles of strategic focus and future orientation, and connectivity of information and stakeholder relationships.

Stent and Dowlder [16] examined the gap between current best reporting and IR by assessing the 2011 annual reports of four New Zealand best practice reporting companies using their own designed checklist developed based on the IIRF content. None of the companies from their sample published a full integrated report for 2011, but their sample scores surprisingly ranged from 70 to 87%. They framed their research on the similarity between the concepts of systems thinking and integrated thinking and expected that changes in corporate reporting could contribute to solving problems such as financial or environmental crises. Their study aimed to be an initial investigation of the potential use of systems thinking as the theoretical basis to evaluate IR. The study reveals that current reporting does not have "the integration, oversight and due attention to future uncertainties" required by IIRC and that these shortcomings may affect sustainability and financial stability—the stated aims of IR. Another conclusion is that even though the gaps identified appeared to be small, "corporate reporting and the thinking supporting it will contribute little to resolving major problems".

Reuter and Messner [33] analyzed the attitude of the respondents to the Consultation Draft of the IIRF towards all the principles and content elements. The general attitude was the acceptance of the propositions made by the IIRC. The most discussed principles were connectivity of information, strategic focus and future orientation, conciseness, and reliability and completeness. The most discussed content elements were performance, strategy and resource allocation and outlook.

Stubbs and Higgins [34] found that the current integrated reports are too long and complex, more focused on compliance rather than communication, and that the non-financial factors information is inadequate for decision-making process. This is consistent with the findings in [35] on the characteristics of the integrated reports; they were found be excessively long and repetitive, with little structure and at risk of obscuring important information. They were found to be only the result of a compliance exercise. Even though an improvement was noticed, "the disclosures are generic, rather than company-specific, and lack substance, often framed in synthetic charming aimed to showcase adoption of IR practice" [36].

The principles-based approach of the IIRF offers flexibility in applying it to a company, especially regarding materiality, and will reduce complexity [34]. However, this approach also raised concerns because it may result in a lack of reporting comparability and consistency over time and between companies. The concepts of IR and the capital model still lack understanding, and the assurance of the information provided is currently raising numerous challenges [4,37].

In the study on the IIRF, the author of [38] concludes that an integrated report should disclose information about resources (in the form of the six types of capital mentioned in the framework) and relationships within an organization, the external environment affecting that entity, and how the interaction between the organization and its environment and capital creates value over time. The authors of [5,39] instead highlight that the concept of value creation within an integrated report has a wide interpretation in the IIRF. The goal of the integrated thinking—as a component and result of the IR practice—is to make businesses contribute positively to global sustainability and financial stability while growing as entities [40,41]. Flower [39] states that sustainability issues are disregarded through the IIRF's concept of value because the focus of the IIRC is on 'value for investors', not 'value for society'.

Taking into account that IR is a new paradigm, the quality of the reports may be enhanced. Atkins and Maroun [35] identified the following ways: a more proactive board of directors, emphasis on holistic reporting and stakeholder accountability, assurance, concise and electronic integrated reports, an explicit framework, and engagement with the stakeholders. Obstacles encountered by companies when trying to produce high-quality reports may include: lack of financial literacy among users, impression management, desire to maintain the status quo, lack of direct involvement by management, potential capture by reporting consultants, and capture by audit mechanisms [35].

IR could be beneficial for firms operating in the financial sector because the companies could use IR to signal transparency to investors. Given the risks associated with financial sector, investors could find the disclosures about risk management and the scenarios that a company is forecasting useful [24].

All the few studies published in the financial industry in recent years agree this field is not a common industry to study. Most of them are in the banking industry and are related to CSR reporting [7,21,42–44]. For instance, Krasodomska [7] describes that the transition to IR is done by integrating the CSR into a company's activity and strategy. Yet, none of the banks included in her sample published an integrated report. Bollas-Araya, Seguí-Mas et al. [43] observed that 23% of their sample integrated sustainability reports into annual reports. The level of presentation of the CSR information in the annual reports published by the banks increased from one year to another [43]. While the authors of [45] report low disclosure of social information and no disclosure of environmental policy, authors of [46] notice concerns in this area driven by the legitimacy theory. The most common CSR aspects covered by banks in their reports are: community involvement [46–49], human resources [45,47,48,50–52], and product and customer disclosures [51,53]. In line with the characteristics of the sector, the environmental aspects seem to be the least presented [43,45,46,49,51,53]. The information was in general disclosed on a voluntary basis [45,50,54,55]. The factors determining the level of CSR disclosure in the banking industry are: size [51,55], assets-in-place [55], market structure [56], IT investments [56], risk factors [56], board representation [57], and financial performance [51]. In recent years, researchers reached the conclusion that companies need to know how to measure sustainability performance (e.g., [58–61]). In this context, Rebai et al. [44] develop "a performance evaluation model for banking while integrating sustainability". The model includes a "banking sustainability performance index". Mio et al. [62] study in the case of Generali how the implementation of the IIRF can advance management control systems.

Buys and Van Niekerk [21] performed an analysis on the compliance of integrated reports with the GRI Framework in the South African financial industry. One of their conclusions was that financial companies do not explain materiality and that probably the G4 Guidelines need an improvement in describing this concept. Using as a benchmark Sarasin's sustainability rating, Lock and Seele [63] (analyzing CSR reports) also found that the companies from the banking and insurance industry do not meet the standards (as opposed to the companies involved in the chemicals industry). These results raise questions and encourage us to investigate the degree to which the reports issued by the financial companies based in Europe comply with the IIRF.

An important asset in the banking industry is intellectual capital. Shih, Chang et al. [64] examined knowledge creation and the intellectual capital. Knowledge creation in banks should be focused on exchanging and sharing information. In banks, the intellectual capital leads to accumulation of human capital, which improves the social and relationship capital. Furthermore, the best-performing banks use their intellectual capital very well and their physical capital less [65]. At the same time, in the case of the banks, the intellectual capital has a positive and significant effect on firm value [42]. Dumay [66] argues that authors need to focus on how organizations are reporting the intellectual capital.

3. Research Aim and Method

The objective of this study is reflected in finding the answer to the following question: to what extent do the companies from the European financial sector follow the guidance of the IIRF for integrated reports issued in 2016 (related to the year 2015)? To achieve this objective, we used the IIRC examples database in order to select the sample we needed for the study. We read the integrated reports issued in 2016 (for the year 2015) by listed European companies that operate in the financial services industry.

Nine European financial companies are included in the IIRC Database, but one is not listed. Hence, the final sample is made up of eight companies presented in Table 1.

Table 1. The selected companies for the research. IR: integrated reports.

No	Company	Country	Type of Company	Year it incorporated the first Integrated Report in the IR Examples Database
1	ABN AMRO	Netherlands	Bank	2015
2	Achmea	Netherlands	Insurance company	2012
3	Aegon	Netherlands	Insurance company	2011
4	AXA	France	Insurance company	2015
5	FMO	Netherlands	Bank	2014
6	Generali Group	Italy	Insurance company	2014
7	ING Group	Netherlands	Bank and insurance company	2015
8	UBS	Switzerland	Bank	2015

(Source: Authors' compilation, 2016).

Five out of eight companies (62.5%) are from the Netherlands. The Dutch were more involved in the development of IR through its leading participation in the IIRC Pilot Programme [67].

We examined the way in which each one of the companies followed the guidance of the IIRF through the content analysis of the annual reports. We adopted a semi-objective approach, meaning that we used a predefined list of items. To code data, we used the checklist designed in [16]. We chose this checklist because it is built based on both the guiding principles and the content elements mentioned in the IIRF and because the authors themselves recommend the use of the checklist in order to assess companies' IR potential. The checklist is presented in Appendix A. It contains seven main categories detailed in subcategories:

- *Organizational overview and business model*: verifies the presence of the mission and vision statements, the list of firm's values, the operating structure, the reporting boundary, and key quantitative information;
- *Operating context*: assesses the number of contexts considered by the company, the disclosure of key risks and opportunities, and if the company explains the determination of the material issues presented;
- *Strategic objectives and strategies to achieve them*: verifies short, medium and long term objectives, implementation plans, the link to operating context, and stakeholders' consultation in formulating strategies;
- *Governance*: deals with leadership structure and characterization, strategic actions taken, compensation policies, relationship with key stakeholders, and oversight of the IR process;
- *Performance*: checks the description of key performance indicators (KPIs) and key risk indicators and the comparison of present results versus target or against industry benchmarks;
- *Future outlook*: comprises the presence of forward-looking information;
- *Assurance*: the type of assurance provided and the assurance company.

The original checklist uses a scoring interval of 0–1–2 (although not every subcategory had three options for scoring, some of them use only the interval 1–2). We used the same interval. The higher the score is, the better the compliance with the IIRF. We added a line to the original checklist referring to the number of pages of the integrated reports in order to check whether these companies are observing the guiding principle of conciseness.

We investigated the annual reports. They were accessed mainly using the IIRC database. We started by choosing the first two companies in alphabetical order from our sample and applied the checklist. The reports were analyzed by each author individually and then we compared and discussed the scores obtained. The application of the checklist on the rest of the sample was done by one author. To assure and increase reliability in coding, the other author verified the scores and both authors formulated the final results.

4. Results

We analyzed the integrated reports issued in 2016 (for the year 2015) by eight large and listed entities operating in the financial sector in Europe. The checklist and the sample scores are summarized in Appendix A. We start our results section with a brief presentation of the experience of each company in the IR area, considering the year in which they included the first integrated report in the IIRC examples database and their membership in the IR Pilot Programme. We then discuss the hierarchy of the firms in the sample detailing key issues that allowed each one to obtain that score. Next, we explain the results of each checklist item, and, in the end, we approach assurance and conciseness issues.

4.1. Experience in the IR Area

As given in Table 1, four companies from our sample, namely ABN AMRO (Amsterdam, Netherlands), AXA (Paris, France), ING Group (Amsterdam, The Netherlands) and UBS (Zurich, Switzerland), have only 2015 annual reports in the IR Examples Database. Aegon (Hague, The Netherlands) has published integrated reports since 2011 and Achmea (Achlum, The Netherlands) since 2012. Aegon was a member of the first stage of the IIRC Pilot Programme in 2011 [68]. The Generali Group (Trieste, Italy) and FMO (Hague, The Netherlands) have included integrated reports in this database since 2014. Achmea and Generali Group were members of the second stage of the IIRC Pilot Programme in 2013 [69].

4.2. Analysis of the Scores Obtained on Companies

The total scores obtained by the companies range from 53% to 87% (Appendix A).

The Generali Group is ranked first due to clear and detailed reporting, achieving 87% for the application of the IIRF. The 2015 report and its website corresponding section provide a complete view of the value creation process, strategy and objectives, setting this company above the rest of the sample. It stands out for the presentation of its value creation process within a diagram, including mission and vision statements, perspectives of external environment and its business model. It obtained the maximum score for categories like strategic objectives and strategies to achieve them and future outlook. It presented only mandatory assurance through an independent auditor's report on consolidated financial statements. The reporting on performance and operating context was superior to the other companies in the sample.

The second and third place belong to ING Group and ABN AMRO, with the same score (83% application of the IIRF). Although these two companies are ranked equally, ABN AMRO achieved the maximum score for strategic objectives and strategies to achieve them and organizational overview and business model, and ING did the same for the operating context. Both companies scored the same for future outlook and corporate governance. The ING Group excels at explaining strategies as challenges to be faced within its "Think forward motto", with a good description of its strategy and resource allocation in the section "Our Strategy and Progress", and manages to reflect the guiding principle of strategic focus and future orientation. ABN AMRO stands out for the description of the value creation process, using a diagram to show its business model with the six types of capital as inputs and with main outputs for 2015 in terms of financial and non-financial KPIs. Regarding assurance, both companies obtained the maximum score because they presented an assurance report from the independent auditor, also containing a review of some sustainability information from the annual report.

Aegon and Achmea obtained a high score of 81% on following the guidance of the IIRF, but ranked fourth and fifth. Aegon obtained maximum score for future outlook and Achmea for strategic objectives and strategies to achieve them and corporate governance. These companies scored equally in the operating context. Achmea reports better on business model and performance, while Aegon reports better on governance. The strategy of Achmea is stressed within its business model, achieving a holistic view of the company and reflecting IR guiding principles like reliability, completeness, and connectivity of information and stakeholder relationships. Aegon also presents a good reflection of its relationship with stakeholders within its "Responsible Business" section. With respect to the assurance of their reports, both companies have a combined audit, taking into account some non-financial information.

The sixth place goes to FMO with a different view of an integrated report, one with case studies among all the financial and non-financial information. This company did not obtain maximum score in any category, but presented a well-described vision of the future, considering the majority of the operating contexts, key risks and opportunities and explaining how materiality was determined. It also stated its strategic objectives and described its business model, obtaining more than half of the maximum score for these categories. It stands out for its external environment presentation where it identifies opportunities and risks from six global and industry trends, linking them to its strategy and reflecting the guiding principle of connectivity of information.

The lowest ranked companies are UBS and AXA, with a gap of four points between them. Both score relatively low marks in the majority of the categories. For example, AXA does not mention ownership and operating structure and gives no specific detail about stakeholders' consultation in formulating strategies. UBS does not make any general references to ethical values, nor is there a mission or vision statement in the report. There is no type of assurance report provided in the annual report of either of these companies. Notwithstanding the general score, both of the companies stand out in certain sections of their reports. AXA's 2015 report has a brief, but good presentation on the IIRF content element "strategy and resource allocation", identifying key roles that an insurance company has within the society with colorful diagrams. UBS stands out for its "How do we do business?" section where it presents a mix of words and graphs of its value creation process, showing conciseness and connectivity of information. Although these two companies obtained the lowest degree of compliance with the IIRF (UBS—60% and AXA—53%), both are in initial stages of IR because none of them had published an integrated report before 2015, and were not members of the IIRC Pilot Programme.

Even though there exists a hierarchy with respect to these companies' compliance with the IIRF, we can observe that each one of them has at least one outstanding section in its 2015 integrated report in terms of guiding principles or fundamental concepts. This could suggest that each company tried to adapt the IIRF content to its operating context and characteristics and disclosed this information to the best of their ability.

4.3. Analysis on Checklist Items

The results for each main category of the checklist are presented in Table 2.

At the category "Organizational overview and business model", ABN AMRO was the only company that obtained the maximum score. The average score calculated for this section is 6.875, which means that the business model, reporting boundary, and key quantitative information presented scored 76.39% with respect to the expected detailed way.

In terms of operating context, the ING Group has the most complete description of each component.

The presentation of objectives and strategies brought a maximum score to Generali, ABN AMRO, and Achmea. Overall, this item was the best presented in the reports analyzed.

None of the companies from the sample obtained the highest score at governance related issues. This generated the worst description of this item out of all the items included in the checklist. No company obtained the highest score for describing its key financial and risk indicators, stakeholder relationships and comparisons with industry benchmarks within performance category of the checklist. These results show that the information disclosed within the reports is not assumed by the management and is not well measured through the adequate financial and risk indicators.

A maximum score in future outlook obtained Aegon and Generali, providing also information about the real risks with extreme consequences in their 2015 report.

Table 2. Main checklist results of the selected companies.

Checklist Item	Maximum Score	Average Score	%
Organisational overview and business model	9	6.875	76.39
Operating context	9	7.5	83.33
Strategic objectives and strategies to achieve them	8	6.75	84.38
Governance	8	4.875	60.94
Performance	10	6.625	66.25
Future outlook	6	4.5	75.00
Assurance	3	2	66.67
TOTALS	53	39.125	73.82
Number of pages	-	249.625	

(Source: Authors' compilation, 2016).

4.4. Assurance and Conciseness

Assurance can be a mechanism that enhances reliability [69] and is another factor desired by investors [24], giving greater trust in a company's transparency. The content analysis revealed that the companies from the sample chose a Big4 audit firm to provide auditing services for the financial and some of the nonfinancial information included in their integrated reports. This option suggests that the area of integrated reports assurance is still under development.

With regards to the number of pages, the average number of the sample is 249.63 pages. As indicated in Appendix A, the annual reports of Aegon, AXA, FMO and UBS have less than 200 pages.

The average number of pages of an integrated report in 2015 was of 148 pages [70] and the investors consider that 200 pages is "too much to read" [24].

Hence, only the FMO gets closer to the average number of pages of an integrated report in 2015, its annual report having 154 pages. In addition, the 2015 reports of the top four companies in our sample have over 300 pages. Therefore, there is still room for improvement in order to apply the principle of conciseness for the companies from the sample.

5. Discussion

This study examines the degree of compliance of the reports of the companies from the sample with the IIRF. We considered annual reports of eight European companies operating in the financial industry and applied a checklist. Although it can be considered a simple or mechanical exercise, the results show insights of the current IR practices in different stages of adoption as the financial entities published their first integrated report in different years and the sample scores are between 49% and 87% of compliance.

The importance of this paper lies in the fact that it presents new evidence of the companies' understanding of the IR concept. We use as a reference an interesting industry and select the sample from companies recognized by the IIRC as issuers of so-called integrated reports. In any step of the economic process the first sector which is affected or has benefits is the financial one. At the same time, it is a sector which has a relationship with all the others because everywhere we need money (from the banks) and protection (from the assurances). Considering that it is such a dynamic and connected industry, it is interesting to study it.

It is important to remember that there is no tool to measure the following of the IIRF guidance or to compare integrated reports, nor is the compliance with this framework mandatory. It only presents general guiding principles and content elements, but even the IIRC acknowledges that the companies can make only the disclosure they consider adequate given its specific industry. Hence, any exploratory results in this field contribute to the global perception of this relatively new phenomenon.

A key factor of the hierarchy we obtained is the year in which the companies included the first integrated report in the IIRC database. The difference in approaches can be easily noticed through the content analysis. As it would be expected due to its presence in the IIRC Pilot Programme, the Generali Group ranked first. On the other hand, Aegon and Achmea, also members of the Pilot Programme, ranked fourth and fifth, with an equal score, after Generali, ING and ABN AMRO. Beyond the hierarchy, each company from the sample has at least one outstanding section in terms of guiding principles of fundamental concepts as presented in the previous section.

The results of our study should be considered in relation with the industry in which the research was conducted. Thus, for the financial industry being environmentally friendly is not material for the shareholders and many other stakeholders (such as customers, employees, etc.). Rather, one expects the financial industry to create a stable financial sector, jobs and responsible economic growth [71]. Providing transparent information about the social and governance performance and integrating it with the financial performance, can help increase the trust of the stakeholders in the financial companies.

We used the checklist suggested by [16], but our research had a different purpose. Our research is based only on integrated reports and it considers a closer issuance year (2015). Notwithstanding the different focus of the papers, there are aspects in which the results may be compared. For example, in terms of IR Pilot Programme membership, the results obtained by [16] are a little different. While their company member of this programme ranked lowest (fourth place), the firms in our sample that were members of this programme obtained high scores and are included in top five out of a total eight entities.

As common deficiencies for the integrated reports of various companies from our sample, we identified few comparisons against regional/industry benchmarks, very brief presentations of real risks with extreme consequences in the future outlook of the firms and a lack of any mention about the IR process. These findings are in line with the conclusions found in [16] about deficiencies, but their sample failed to report uncertainties in the forward-looking information. Their main conclusion in this regard is that these deficiencies may be crucial to IR, which reminds us of the importance of finding a tool to compare integrated reports and the need for a more specific definition of what is called an integrated report.

The best score was obtained by the companies included in our sample for the strategic objectives and strategies to achieve them. Ruiz-Lozano and Tirado-Valencia [31] also found that companies are good at reporting this element. Although for the respondents to the Consultation Draft of the IIRF the most important content element was the business model, our results show an average score of 76.39% for this item. The governance category obtained the lowest compliance, which suggests that the management should involve more in disclosing higher quality information. The respondents to the Consultation Draft also agree in this direction [72]. Another area which can be improved for our companies is the assurance. In the same time, [35] provide empirical evidence that the involvement of the board of directors in the reporting process and the assurance increase the quality of the disclosures.

Our paper contributes in the IR area by taking another step in perceiving its purpose and its stage of practical understanding. We add value to the field through our approach within the financial industry because, as we mentioned in introduction, it is not a common area for research. There are only a few studies in the area and they usually consider CSR reports or the compliance with the GRI Standards. In addition, how companies are following the guidance of the IIRF was, for instance, a question formulated by Turturea [73] after she studied the way in which social and environmental issues are presented within the integrated reports.

A limitation of this study is that we do not have access to an inside opinion regarding the perception of the companies of the IIRF and the activities and efforts these make to improve their integrated reports. Our research is based only on the information available on IIRC database, companies' websites and other papers written before on this topic. As Stent and Dowler [16] also concluded, the use of the checklist does not measure the whole IIRF, nor can it remove subjectivity in scoring the compliance of each entity. In addition, the size and the nature of the sample could be seen as another limitation, as these companies are not declared somewhere as examples of best practice in IR.

Considering the above limitations, future research could extend the analyzed period in order to provide comparison and show the evolution of the integrated reports' content. Also, a comparative analysis with "best practice in IR" companies could offer a different view of these scores. Moreover, this study can be developed on entities from other sectors and then comparing the industries.

The most important practical implication of this paper is that these results and method could be used by firms to assess their own IR compliance degree with IIRF, although it is not mandatory. It can be also used by firms which intend to adopt and implement IR in order to identify the changes and costs involved in this decision. The use of the scoring technique through the checklist contributes to the research area by providing a tested tool to better understand IR and study and compare the quality of integrated reports. The checklist's authors also agree that this method offers opportunities to conduct empirical research on integrated reports [16]. Considering the influence of the financial industry over other industries in the economy, this paper could bring confidence to society by presenting objective evidence about companies' transparency and could give an impetus to adopting IR by other companies.

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Appendix A

Table A1. The integrated reporting (IR) checklist and sample results. KPI: key performance indicators.

Checklist Element (Maximum Score)	Company Score							
	ABN AMRO	Aegon	ING Group	Generali Group	AXA	UBS	FMO	Achmea
Organisational overview and business model (9)	9	7	8	8	6	4	5	8
Mission & vision statements (0 = no statement in the report; 1 = mission or vision statement; 2 = mission and vision statements)	2	1	1	2	1	0	1	1
Value & culture (0 = no mention, 1 = general comments on adherents to ethical values, 2 = code of conduct reference, list of values, etc.)	2	2	2	2	1	0	0	2
Ownership & operating structure (0 = no mention; 1 = ownership and operating structure described)	1	1	1	1	0	1	1	1
Principal activities, markets, products, services (0 = no specifics on principal activities; 1 = activities/markets/products services listed)	1	1	1	1	1	1	1	1
Reporting boundary (0 = no boundary stated; 1 = boundary is determinable)	1	1	1	1	1	1	1	1
Key quantitative information (1 = brief mention, 2 = elaborated)	2	1	2	1	2	1	1	2
Operating context (9)	6	8	9	8	6	7	8	8
Legal, commercial, social, environmental, political (maximum of 5 points, 1 for each context)	3	4	5	5	2	3	4	4

Table A1. *Cont.*

Checklist Element (Maximum Score)	Company Score							
	ABN AMRO	Aegon	ING Group	Generali Group	AXA	UBS	FMO	Achmea
Key risks & opportunities (maximum of 2 points: 1 for describing risks, 1 for describing opportunities)	2	2	2	2	2	2	2	2
Material issues/determination, impact on creating/preserving value (0 = no discussion of material issues; 1 = description of some elements of material issues disclosure; 2 = determination of materiality described, impact on creating/preserving value considered)	1	2	2	1	2	2	2	2
Strategic objectives and strategies to achieve them (8)	8	7	7	8	4	7	5	8
Short, medium, long term objectives (0 = no mention; 1 = strategic objectives stated without relevant time frame; 2 = strategic objectives and their time frames are listed)	2	2	1	2	1	2	1	2
Implementation plans (in relation to business model) (0 = no specific description; 1 = specific actions taken/planned are described)	1	1	1	1	1	1	1	1
Influence from/response to operating context (0 = no reference to operating context in the description of strategic objectives; 1 = a clear linkage to operating context)	1	1	1	1	1	1	1	1
Effect on key capitals/risk management arrangements (1 = mention; 2 = elaborate)	2	1	2	2	1	1	1	2
Stakeholder consultation in formulating strategies (0 = no specific details; 1 = identification of stakeholders; 2 = stakeholders identified and engagement avenues described)	2	2	2	2	0	2	1	2
Governance (8)	6	6	6	6	3	3	4	5
Leadership structure, diversity and skill set of those charged with governance (1 = members of the BoD/committees listed; 2 = their experience and skills are listed as well)	2	2	2	2	1	1	2	2
Actions taken to monitor strategic direction (0 = no actions determinable from narrative; 1 = determinable actions)	1	1	1	1	1	1	1	1
Reflection of culture and ethical values in use of and effect on the capitals, relationship with key stakeholders (0 = no mention of cultural values/ethics in the given context; 1 = culture and values determinable from narrative; 2 = express statement regarding culture and values in relation to capitals/stakeholders)	1	1	1	1	0	0	0	1
Compensation policies and plans (1 = standard minimum disclosure; 2 = elaborate)	2	2	2	2	1	1	1	1
Oversight over the IR process (0 = no mention of IR process; 1 = list of people responsible)	0	0	0	0	0	0	0	0

Table A1. *Cont.*

Checklist Element (Maximum Score)	Company Score							
	ABN AMRO	Aegon	ING Group	Generali Group	AXA	UBS	FMO	Achmea
Performance (10)	9	6	8	9	5	6	3	7
KPIs (0 = no mixed performance measures; 1 = KPIs or equivalent)	1	1	1	1	1	1	1	1
KRIs (0 = no key risk indicators described; 1 = KRIs or equivalent)	1	0	1	1	0	0	0	0
The organisation's effect on the capitals (0 = no consideration to the six capitals, 1 = consideration of two or more capitals; 2 = all six capitals considered)	2	1	2	2	1	1	0	1
State of key stakeholder relationships (1 = mention; 2 = elaborate)	2	2	2	2	1	1	1	2
Significant external factors (1 = mention; 2 = elaborate)	2	1	1	1	2	1	1	1
Comparison of actual results vs. target (0 = no comparison provided; 1 = comparison given)	1	1	0	1	0	1	0	1
Comparison against regional/industry benchmarks (0 = no benchmarks provided; 1 = benchmarking used)	0	0	1	1	0	1	0	1
Future outlook (6)	3	6	3	6	4	5	5	4
Management's expectations (0 = no statement of expectations; 1 = expectations described)	0	1	0	1	1	1	1	0
Likely operating context (0 = no express consideration given; 1 = future context discernible from narrative)	1	1	1	1	1	1	1	1
Uncertainties (0 = no description provided; 1 = consideration given)	0	1	1	1	0	1	1	1
Real risks with extreme consequences (0 = no mention; 1 = consideration of risks with extreme consequences provided)	0	1	0	1	0	0	0	0
Potential implications (0 = no consideration given; 1 = mention)	1	1	0	1	1	1	1	1
Key assumptions, possible risks (0 = no consideration given; 1 = mention)	1	1	1	1	1	1	1	1
Assurance (3)	3	3	3	1	0	0	3	3
(0 = no assurance; 1 = mandatory audit; 2 = review; 3 = audit)	3	3	3	1	0	0	3	3
Assurance company	KPMG	PwC	EY	EY	-	-	KPMG	PwC
TOTALS (53)	44	43	44	46	28	32	33	43
% of maximum (100)	83	81	83	87	53	60	62	81
No. of pages	488	80	442	360	96	72	154	305

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