



Practical use of the integrated reporting framework – an analysis of the content of integrated reports of selected companies

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Abstract

The purpose of the article is to provide a research tool for an initial assessment of whether a company's integrated reports meet the objectives set out in the IIRC Integrated Reporting Framework and its empirical verification. In particular, the research addresses whether the reports meet the goal of improving the quality of information available and covering all factors that influence the organization's ability to create value.

The article uses the theoretical output on the principles of preparing integrated reports and analyzes the content of selected integrated reports. Based on the source analysis, a research tool has been developed for an initial assessment of whether an integrated report fulfills its objectives. It consists of 42 questions that verify the coverage of the defined elements and the implementation of the guiding principles set by the IIRC. For empirical verification of the tool, a comparative analysis was carried out for reports prepared by selected companies operating in the utilities sector. Answering questions from the research tool allows a researcher to formulate conclusions about the implementation of the guiding principles and the completeness of the presentation of the content elements. As a result of the analysis of selected integrated reports, it was stated that various elements of the report are presented with different levels of accuracy in different reports. Reports provide the most complete information on performance and strategy. The information about business model and prospective data is in some cases presented without making a link to other parts of the report – e.g. risks and opportunities, financial data or capitals. The absence of such links limits the ability to claim that an integrated report meets its objectives, since a set of individual reports, each presenting different information areas, is not what an integrated report was meant to be.

Keywords: integrated reporting, research tool, IIRC framework.

Streszczenie

Praktyczne zastosowanie wytycznych zintegrowanego raportowania – analiza zawartości raportów zintegrowanych wybranych spółek

Celem artykułu jest przedstawienie narzędzia badawczego do wstępnej oceny, czy raporty zintegrowane sporządzane przez spółki spełniają cele określone dla raportowania zintegrowanego przez IIRC oraz jego empiryczna weryfikacja. W szczególności badanie dotyczy tego, czy raporty realizują cel związany z poprawą jakości dostępnych informacji oraz objęciem wszystkich czynników wpływających na zdolność organizacji do kreowania wartości.

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W artykule wykorzystano dorobek teoretyczny w zakresie zasad sporządzania raportów zintegrowanych oraz analizę treści wybranych raportów zintegrowanych. Na podstawie analizy źródeł opracowano narzędzie, które ma umożliwić wstępną weryfikację, czy raport zintegrowany realizuje założone cele. Składa się ono z 44 pytań pomocniczych, które weryfikują ujęcie zalecanych elementów składowych oraz realizację zasad przewodnich określonych przez IIRC. Aby dokonać empirycznej weryfikacji narzędzia, przeprowadzono analizę porównawczą dla raportów sporządzanych przez wybrane spółki działające w branży energetycznej. Odpowiedź na pytania ujęte w narzędziu badawczym pozwala na formułowanie wstępnych wniosków na temat realizacji przez raporty poszczególnych zasad przewodnich i kompletności ujęcia zalecanych elementów składowych. Jak wynika z analizy wybranych raportów zintegrowanych, poszczególne części raportu charakteryzują się różnym poziomem szczegółowości. Najbardziej szczegółowo przedstawione zostały części dotyczące osiągnięć i strategii. Informacje o modelu biznesu i dane prospektywne w części raportów zostały zaprezentowane bez powiązania z innymi częściami raportu, np. dotyczącymi ryzyka, danych finansowych czy kapitałów. Brak takiego powiązania ogranicza możliwość stwierdzenia, że raport zintegrowany realizuje założone cele, jako że zbiór pojedynczych raportów, z których każdy dotyczy innego obszaru informacji nie jest tym, czym w założeniu miał być raport zintegrowany.

Słowa kluczowe: raportowanie zintegrowane, narzędzie badawcze, struktura ramowa IIRC.

Introduction

Integrated reporting (<IR>) is a concise way to communicate 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, 2013, p. 7). This concept is the latest approach to corporate reporting aimed at linking and ensuring the consistency of financial and non-financial information presented so far in various reports (financial statements, operations reports or CSR reports).

Works on <IR> started at the beginning of the 21st century, and in the first stage were taken mainly by business practitioners, which is illustrated, inter alia, by the first reports integrating all relevant information (Eccles, Krzus, 2010).

These actions were consistent with the critique of traditional financial statements, which was widely disseminated after the financial crisis of 2008–2009 (e.g. Kutera, Surdykowska, 2009; Gierusz, 2010; Świdarska (ed.), 2011; Zuchewicz, 2012; Samelak, 2013). Different authors have differently formulated allegations about financial statements, but questions in the literature can be grouped into two main issues: (1) whether financial statements meet the needs of all external stakeholders and even whether they meet the changing needs of the main group of external stakeholders – investors, and (2) do financial statements reflect all aspects of business operations in today’s complex business environment?

Legislative work on <IR> began in South Africa with the publication of the document called „King I” (Dumay et al., 2016, p. 167). In the years that followed, a number of initiatives were launched, including the Global Reporting Initiative (GRI), the Prince of Wales’ Accounting for Sustainability Project (A4S), and the „One report” project by Bob Eccles and Mike Krzus (2010). The international standardization and unification of <IR> activities was initiated by the establishment of the International Integrated

Reporting Council (IIRC), which is an association of business, academia and regulators. The main activity of the IIRC in 2012–2013 was to work on the development of an <IR> Framework, which was finally approved on 9 December 2013. The Framework formulates the objectives of <IR>, and presents the guiding principles that should underpin the report, as well as its main content elements.

The amount of research on <IR> is growing. Dumay et al. (2016) conducted a systematic review of the academic articles and conference papers on <IR> and concluded that most studies „present normative arguments for <IR> and there is little research examining <IR> practice” (p. 166).

By analyzing the available literature, we stated that there is no established method for verifying whether a specific report meets the objectives set for an integrated report, in particular those defined by the IIRC. Few studies on external reports have been found and, in our opinion, they do not fill this gap. An interesting study by Bek-Gaik and Rymkiewicz (2016) concentrates selectively on one element of the report – i.e. on the business model. The Samkin (2012) longitudinal study assesses the content of one report compared to the content of the same company’s past report, which allows for the formulation of conclusions about changes in the way one company reports rather than about whether <IR> objectives are met. Wild and van Staden (2013) researched to what extent specific reports „adhere to the integrated reporting Guiding Principles, Content Elements, and the Multiple Capitals model” (p. 2). The researchers analyzed whether a specific element or a principle was/was not included. In our opinion, specific elements and principles of the report are so complex that they require a more detailed analysis than only stating that they are or are not covered.

Based on the analysis of the <IR> Framework, a research tool has been formulated for an initial assessment of whether integrated reports meet the objectives set by the IIRC related to the scope of information and its presentation. Those objectives are specified by the guiding principles and the content elements defined in the <IR> Framework. Therefore, the research tool was built around these components. The hypothesis for the study was that the report fulfills the <IR> objectives if it incorporates all guiding principles and provides a complete overview of the content elements listed in the <IR> Framework.

The authors’ intention was to develop a universal tool to evaluate any report in terms of whether it meets the <IR> objectives. The ability to evaluate companies’ integrated reports can provide a starting point for a further research on the impact of <IR> on the organizations and their stakeholders.

The parallel goal of the article, which also addresses the gap in practice research, is the empirical verification of the developed research tool supplemented with the presentation of conclusions from the analysis of exemplary integrated reports. For this purpose, six reports by various utilities companies were analyzed. Two of these reports were prepared by companies with headquarters in Poland, and received national awards for the best integrated reports. The remaining four reports were selected from the IIRC sample database, which suggests that they should be an example of well-prepared integrated reports that meet all <IR> objectives.

1. Assumptions of integrated reporting

In the IIRC's opinion, integrated reporting is supposed to contribute to a profound change in the way organizations manage and communicate with stakeholders. The purpose of <IR> is not solely to develop a method for creating a new type of report but to support integrated thinking and decision making in an organization. Integrated thinking is defined as „the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects” (IIRC, 2013, p. 33). The implementation of integrated thinking and reporting principles is expected to lead to efficient and productive resource allocation and financial sustainability and sustainability (EY, 2011).

The three basic concepts around which integrated reporting is built are: value for the organization and others, capitals, and value creation. *Value* created by the organization is reflected by „increases, decreases and transformations of the capitals caused by the organization's business activities and outputs” (IIRC, 2013, p. 10). *Capitals* „comprise financial, manufactured, intellectual, human, social and relationship” (IIRC, 2013, p. 11). The *value creation process* is a way of transforming a company's capitals within a chosen business model (IIRC, 2013, pp. 13–14).

The basic objectives of integrated reporting are to (IIRC, 2013, p. 2):

1. „improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital,
2. 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,
3. enhance accountability and stewardship for the broad base of capitals and promote understanding of their interdependencies,
4. support integrated thinking, decision-making, and actions that focus on the creation of value”.

Compared to the traditional approach, based primarily on the presentation of *ex post* financial results, the integrated report emphasizes the presentation of the ability to create value in the future, including in the long term (Adams, 2015). The assumption of taking into account all the material factors points out the need to present a comprehensive set of value generators and their relationship (Bek-Gaik, 2015, p. 486). These actions should increase the transparency of the information presented and increase confidence in the reporting company.

<IR> objectives are detailed and operationalized with the guiding principles, which should be used for the preparation and presentation of the report. These include (IIRC, 2013, pp. 16–23):

- strategic focus and future orientation – knowledge of the strategy and its impact on the organization's ability to create value and use capitals,

- connectivity of information – a comprehensive picture of the connection, interdependence and interrelations of factors affecting the organization's ability to create value,
- stakeholder relationships – the quality of the relationship with key stakeholders, including the approach to their needs and expectations,
- materiality – the inclusion of all elements that significantly influence the organization's ability to create value,
- conciseness,
- reliability and completeness – addressing all relevant issues, both positive and negative,
- consistency and comparability – consistency in time and presentation in a way that allows comparison with other stakeholders.

The structure of an integrated report is unified and formalized by the content elements, which should ensure that all information areas are included, which contributes to the achievement of the objectives of <IR>. These are (IIRC, 2013, pp. 24–32):

- organization profile and external environment – what the organization does and in what environment it operates,
- governance,
- business model,
- risks and opportunities,
- strategy and resource allocation – where the organization is going and how it plans to achieve it,
- performance – the extent to which the organization has achieved its strategic objectives and how it affects individual capitals,
- outlook – what challenges and risks are awaiting the organization,
- basis of preparation and presentation – how the organization selects information for the integrated report and how it is measured.

It is worth noting that although the emphasis is placed on information presented to the providers of financial capital, the process of creating value presented in the integrated report should concern not only the value created for the organization itself and the capital providers, but also for other stakeholders.

2. Integrated reporting dilemmas

Despite the evident advantages of the <IR> concept itself, there is a number of doubts about the content of integrated reports presented in the literature. These doubts concern (Świdarska, Bek-Gaik, 2016, pp. 11–12):

- the reliability of the information contained in the integrated report, if there is no obligation to conduct an audit of the entire report,
- a better understanding of the business situation as a consequence of using the <IR> Framework,

- a not fully precise form of the integrated report,
- assessment of the integrated report by capital market participants,
- presenting how business operations link with sustainable development or management systems,
- companies' concerns about over-disclosure, especially with regard to the business model that is a unique organizational solution of the company and determines its success.

Some authors also point out that the concept of value in the <IR> framework is limited to the value of the investor, not the value of society, in particular the negative value generated by the negative external effects of the business. The consequence of the lack of such reporting requirements within the <IR> Framework is the lack of revolutionary improvement in the scope of the information, but merely the presentation of the same limited range of information in a new, more complex and extensive way. Critics underline the IIRC's lack of action to strengthen the role of accounting for sustainable development. (Flower, 2015; Milne, Gray, 2013).

Certainly, the credibility of the presented non-financial data can raise doubts. Information presented in the financial statement must be prepared and presented in line with existing regulations (and, as mentioned above, still undergoes criticism). In terms of non-financial data, organizations are entitled to choose freely what will be presented and how.

The <IR> Framework did not propose a unified structure of the report or a set of model indicators that would present and link the company's capitals, the value creation process, and the value created. As a consequence, there will be a limited comparability between reports of different companies, and even between subsequent reports of one company. Not specifying which indicators are most important may result in too much information and limit the stakeholders' understanding of a report (Bek-Gaik, 2015).

A general and vague content of <IR> Framework leaves room for an individual approach to integrated reports. This may result in companies preparing reports that will be named „integrated” but will not accomplish the objectives of <IR>. Elkington, a co-founder of SustainAbility, compared the first experiments with integrated reports to „Frankenstein's Monsters” (Elkington, 2009). In our opinion, an important step to improve the quality of integrated reports is to analyze whether they fulfill the <IR> objectives and to provide a tool for that purpose.

3. Methodology of the study

To find out whether an integrated report meets its objectives, a research tool with 42 questions has been developed. The questions refer to the content elements and the guiding principles.

The structure of the tool is as follows:

1. Questions on including content elements:
 - organization profile and external environment (PROF) – 3 questions,
 - governance (GOV) – 2 questions,
 - business model (MODEL) – 5 questions,
 - risks and opportunities (RISK) – 4 questions,
 - strategy and resource allocation (STRAT) – 3 questions,
 - performance (PERF) – 3 questions,
 - outlook (OUTLOOK) – 2 questions,
 - basis of preparation and presentation (REPORT) – 2 questions,
2. Questions on following the guiding principles:
 - strategic focus and future orientation (STRAT_FOC) – 3 questions,
 - connectivity of information (CONNECT) – 8 questions,
 - stakeholder relationships (STAKE) – 2 questions,
 - materiality/reliability and completeness (MATERIAL/RELIAB) – 2 questions,
 - conciseness (CONCISE) – 3 questions.

Due to the purpose of the research tool, which is the initial assessment of a single report, the questions do not refer to the „coherence and comparability” principle, which concerns comparisons between different reports. The ‘Materiality’ and ‘Reliability and completeness’ principles have been combined, because, in our opinion, they refer to similar matters.

There are three possible answers to each question: „Yes”, „Partially” and „No”. The answer „Yes” means that the report includes the issue under question in an exhaustive, detailed, and legible matter. The answer „Partially” means that the information is included, but is presented in a general, selective or scattered manner. The answer „No” means that the issue under question is not included in the integrated report.

In order to facilitate the comparison between the reports, 4 points were awarded for the answer „Yes”, 2 points for the answer „Partially”, and 0 points for the answer „No”. The tool is provided in the appendix.

Six reports of utilities companies were used to verify the applicability of the tool to evaluate the integrated reports. Two Polish companies were selected – Orlen and Lotos – as their reports received national awards for the best integrated reports. The most up-to-date reports were taken for analysis, which is for 2015. The other reports were downloaded from the database of integrated reports published by the IIRC. The only criterion was the industry of the company preparing the report – in order to maintain comparability with the reports of the Polish companies – the utilities industry. There were 14 reports in the IIRC database, of which four were selected. The analysis included the Entergy Corporation, Central Energy Fund (CEF), CLP, and Scottish and Southern Energy (SSE). The selection of reports indicates that they should be an example of well-prepared integrated reports that meet all <IR> objectives. Table 1 presents the characteristics of the analyzed reports.

Table 1. Integrated reports analyzed

Specification	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
Headquarters	Poland	Poland	U.S.	South Africa	Hong Kong	United Kingdom
Year	2015	2015	2013	2013/14	2015	2014
Form	PDF	PDF	PDF	PDF	PDF	PDF
Which integrated report	2nd	7th	1st	1st	5th	not specified
Number of pages	351	272	60	223	270	184

Source: author's own elaboration

Selected reports are not a representative sample of integrated reports, neither in general nor in the utilities industry. The analysis is primarily intended to empirically verify the usefulness of the research tool to make conclusions about the fulfillment of the <IR> objectives.

4. Analysis of the structure of the integrated reports

In order to investigate whether the reports include all content elements specified in the <IR> Framework, 24 questions have been formulated, divided into 8 parts for each of the elements. The results are shown in Table 2.

Table 2. Inclusion of the content elements in integrated reports

Element	Ancillary questions	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
PROF	Is the business activity described?	4	4	2	4	4	4
	Is the activity of the most important business segments described?	4	2	0	0	4	4

continuation tab. 2

Element	Ancillary questions	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
	Is the environment in which the company operates described?	4	4	0	0	4	4
	Total	12/12	10/12	2/12	4/12	12/12	12/12
GOV	Are the corporate governance bodies presented?	4	4	0	4	4	4
	Are the competencies of individual bodies presented?	4	0	0	4	4	4
	Total	8/8	4/8	0/8	8/8	8/8	8/8
MODEL	Did the report show the business model?	2	2*	4	0	4	0
	Have input elements of the business model been presented?	4	4	4	0	4	0
	Have actions been presented?	4	4	4	4	4	4
	Have the results of the activity been presented?	4	4	4	4	4	4
	Have the final effects been shown?	4	4	4	0	4	4
	Total	18/20	18/20	20/20	8/20	20/20	12/20
RISK	Have the main risks been listed?	4	4	4	4	4	4
	Have the presented risks been described in detail?	4	4	0	4	4	4
	Are risks presented in relation to the business model?	4	0	0	0	4	0
	Are risks presented in relation to the strategy?	4	2	0	4	4	0
	Total	16/16	10/16	4/16	12/16	16/16	8/16

continuation tab. 2

Element	Ancillary questions	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
STRAT	Have strategic objectives been presented?	4	4	4	4	4	4
	Do specific objectives include measures and targets?	4	4	0	4	2	0
	Has the implementation of the strategy in the reporting period been evaluated?	4	4	4	4	4	4
	Total	12/12	12/12	8/12	12/12	10/12	8/12
PERF	Does the report include key performance indicators – financial and non-financial?	4	4	4	4	4	4
	Are the performance indicators presented in relation to the objectives set out?	4	4	0	4	4	4
	Are the performance indicators related to stakeholder expectations?	4	4	4	4	4	4
	Total	12/12	12/12	8/12	12/12	12/12	12/12
OUT-LOOK	Have the prospects for market development been shown?	4	4	4	2	4	2
	Have these prospects been linked to the future business strategy and its capitals?	4	4	0	4	4	0
	Total	8/8	8/8	4/8	6/8	8/8	2/8
RE-PORT	Have the rules for defining important aspects of reporting been presented?	4	4	0	4	0	0
	Is the report subject to audit?	4	4	0	2	2	2
	Total	8/8	8/8	0/8	6/8	2/8	2/8

* The term „value-creation model” is used instead of „business model”.

Source: author’s own elaboration

Most companies present in detail the profile of the organization and the environment in which they operate (PROF). In addition to the information about the organization, detailed information on the individual business segments is usually provided. In the LOTOS report, this information is presented only very generally and in the ENTERGY report it is completely omitted. ENTERGY was one of two companies (along with CEF) that did not provide information on the environment. Information on the company's activities in those companies was included in a general way as well. The lack of accurate information on the company's business profile constitutes a serious barrier to the assessment of the other parts of the report, including, in particular, the business model and the strategy.

Almost all reports presented the corporate governance bodies (GOV), and most of them (with the exception of LOTOS and ENTERGY) complemented this presentation with a description of their competencies.

An important element of the integrated report is the business model (MODEL). We evaluated a separate section on the business model. The most accurate description of the business model can be found in the CLP report – the model is described, shown in the diagram, and linked to the strategy. The business models of ORLEN and LOTOS (the latter one referred to as the value-creation model) contain all the required elements, but are presented solely on the diagram, leaving the stakeholder uncertain about the meaning of its elements. ENTERGY details the elements of a business model, although the model is presented only generally as a combination of „operational excellence” and „portfolio management”. Two companies – CEF and SSE – lack a description of the business model. Both reports focus on presenting the company's activities, complementing it with a description of the results of this activity (mainly products).

Practically all the reports provide information on the main risks faced by the company (RISK). In most cases these risks are described in detail. However, only two reports show the risks in connection with the business model and the value creation process. We could also not find a clear link between the identified risks and the strategy in all reports.

Strategy (STRAT) is presented in each of the reports analyzed, and there is also a section on the implementation of the strategy. In some reports it is only descriptive, e.g. in the form of a letter from the CEO. In others, specific measures are indicated to assess whether the targets have been met. The most readable is the CEF report, where for each goal the appropriate measure, the expected target value, and the current status of the target are displayed. In the CLP report, the strategy is presented in great detail, broken down into markets. However, sections dedicated to particular markets are overloaded with information on numerous indicators making it difficult to determine which indicator best illustrates whether a strategic target on a given market has been achieved.

A significant part of the reports is devoted to discussing what the companies' performance (PERF) was. Each report contains the Key Performance Indicators (KPIs), both financial and non-financial. They are presented each time in relation to the main stakeholders – shareholders, customers, employees, and local communities. In most cases, the KPIs are also related to the company's goals. The KPIs presented in individual reports are similar, which is an argument confirming their choice was correct – for example, the most important non-financial indicators are those of aggregate extraction or

use of available resources (significant from the customer's perspective), as well as the number of serious accidents (significant for workers and the community).

The penultimate part is dedicated to the future of the company (OUTLOOK). Most of the reports show the perspectives for market development, although the level of detail of the information varies. ORLEN's report provides a detailed forecast of the future market situation and foresees three alternative scenarios. In comparison, the SSE report, on the one hand, listed significant market events (regulatory actions in the Irish market or the referendum in Scotland) and pointed to future priorities (such as competitiveness or flexibility), but did not present the causal relation between them. Not all reports show the influence of the presented perspectives on the company. No such association in the ENTERGY report makes it difficult to make conclusions on the expected impact of environmental changes on the company's situation.

Three of the analyzed reports outlined the principles that define important aspects of reporting (REPORT). These include, for example, the analysis of internal documents, the opinions of internal and external stakeholders, or the analysis of company image research. Only ORLEN and LOTOS fully audit their reports. In three other reports, only financial statements are subject to external audit, and the remaining data may possibly be validated by internal auditors. In one case (ENTERGY), the report presents information that has not been subjected to an external audit.

5. Analysis of the compliance with the IIRC guiding principles

In order to investigate whether the reports follow the guiding principles specified in the <IR> Framework, 18 questions have been formulated, divided into 5 parts for each of the principles included. The results are shown in Table 3.

Table 3. Compliance of integrated reports with the guiding principles

Principle	Ancillary questions	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
STRAT-FOC	Does the report contain the formulated strategy for the current period?	4	4	4	4	4	2
	Does the report contain a formulated strategy for the next period?	4	2	4	4	4	2
	Does the report identify capitals?	4	4	4	0	4	0
	Total	12/12	10/12	12/12	8/12	12/12	4/12

continuation tab. 2

Principle	Ancillary questions	OR-LEN	LO-TOS	EN-TER-GY	CEF	CLP	SSE
CON-NECT	Does the report include measures to associate a business model and a strategy with the value created?	4	4	4	4	2	4
	Does the report include measures to link capitals to the business model?	4	0	0	0	4	0
	Is the business model and strategy shaped by the external environment?	4	4	4	4	4	2
	Are the presented risks related to the business model and strategy?	4	0	0	2	4	0
	Is the impact of past actions on the current situation clarified?	0	4	4	4	4	0
	Are relations between financial and non-financial measures presented?	4	4	4	4	4	4
	Does the financial statement present the effect of the events indicated as the most important?	4	0	2	4	4	4
	Is data in the financial statements shown in relation to the business model?	4	0	0	0	4	0
	Total		28/32	16/32	18/32	22/32	30/32
STAKE	Are stakeholders indicated in the report?	4	4	0	4	0	0
	Is the company's relationship with key stakeholders defined?	4	4	2	4	2	0
	Total	8/8	8/8	2/8	8/8	2/8	0/8

continuation tab. 2

Principle	Ancillary questions	OR-LEN	LO-TOS	EN-TERGY	CEF	CLP	SSE
MATE-RIAL/ RELIAB	Are events relevant for the value creation process indicated?	4	4	2	4	4	4
	Does the report present both positive and negative events?	4	4	4	4	4	4
	Total	8/8	8/8	6/8	8/8	8/8	8/8
CON-CISE	Is information presented in a clear matter?	4	4	2	4	2	4
	Does the report avoid repetitions?	0	0	4	4	0	4
	Are there references between individual parts of the report?	4	4	0	0	4	0
	Total	8/12	8/12	6/12	8/12	6/12	8/12

Source: own work

All reports have a detailed, easily identifiable section describing the strategy implemented. Additionally, in most reports, the strategic objectives are clearly stated. For example, in the ORLEN and LOTOS reports, a 5-year strategy is presented, giving it a more specific dimension, adapted to current challenges and environmental conditions. For comparison, SSE's basic strategic goal is „to provide the people with energy in a stable and sustainable way”, which is more a business mission than a specific strategy. In LOTOS, the reported year is the last year for a defined strategy, and the new one had not been fully approved at the time of writing the report, but this is clearly stated in the report. Some diversification occurs with respect to the reporting of information on capitals. They are mentioned in four reports.

Most reports show the company's achievements directly in line with the strategic goals, indicating specific measures and KPIs. For example, CEF identified indicators for each of the five strategic objectives, along with the targets that documented the achievement of the objective and demonstrated their status at the end of the reporting period. By contrast, CLP included at least a dozen indicators describing the activity in the reporting year at the beginning of its report, but did not refer them directly to the defined strategy. Compared to other reports, the lack of such a direct link is evident.

Only two reports presented capitals in relation to the company's strategy and business model. Two other reports (LOTOS and ENTERGY) only point to the main capitals

used in the company's activities. They are not the central point of the report, they are mentioned indirectly in the context of other elements of the report, and information on this issue is scattered. For example, some actions taken for investors or employees are described, but they are not linked to specific business objectives. It is noteworthy that although CEF does not directly mention the capitals it is using, it points out the shortcomings of qualified staff and its sustainability when discussing the company's most important factors for the future.

In each report, the presented strategy and business model are related to current environmental conditions and the forecasts of these conditions. It is worth noting, however, that the level of detail of this comparison is different – for example, in the case of ORLEN, the comparison concerns a detailed, multidimensional analysis of the industry, while SSE relies mainly on the influence of atmospheric factors.

It is quite critical to assess the relationship between the risks presented and the business model and the strategy. Such information can easily be identified in two reports (ORLEN and CLP), while in CEF causal relationships are only possible with reference to certain risks, while others remain unrelated to the business model and strategy. In the LOTOS report, the link between risks and strategy is contained in the CEO Report, which is not, however, part of the integrated report. The SSE report has discussed risks, but there is no link to a strategy.

In four reports, indicators presenting past actions are interpreted and explained. This is particularly true in terms of events that have a detrimental effect on the business situation. No such explanations have been reported in the ORLEN report (for example, the reasons for the negative EBITDA in the upstream segment have not been named, nor the reasons for changes in the board), or in the SSE report, where the construction of indicators is described, but there is no explanation why the results are at a given level. In all reports, financial and non-financial ratios are presented in a consistent way and are interrelated.

In most cases, the financial statements present the most important financial values. The exception is LOTOS, where the financial statements are not included in the integrated report (they are a separate document) and ENTERGY, where the financial data is presented in tables only, without appropriate notes. In other cases, the presented information allows the reader to evaluate the profitability of individual segments. In some reports, for example CLP, the entire financial statement (and not just the main categories of revenue and expenses) is segmented.

However, in most reports there is no link between the financial statements and other information included in the integrated report, in particular the business model. In two reports, it is difficult to find the link, because the report does not describe the business model. Another one – LOTOS – does not include a financial statement. In the ENTERGY report, financial data is presented without notes, which would facilitate linking it to the business model and strategy of the company. The relevant link can be found in the notes to the ORLEN and CLP reports, although it is worth noting that they are still written in an accounting jargon typical for a financial statement. Compared to the other

content of the integrated report, this part is by far the most difficult to read for a person without experience in finance.

Most of the reports point out the main stakeholders of the company and company's relationship with them, although this information is presented in different ways. For example, a map of stakeholders is created in the ORLEN report, and the relationship with main groups is discussed in the separate sections of the report. In the LOTOS report, a stakeholder map is presented at the end, and in each section of the report it is shown how the value created in a given area affects the main stakeholders. ENTERGY, CLP, and SSE do not clearly indicate who the company's stakeholders are. The first two reports, however, refer to this concept in different places, pointing to owners, customers, employees, suppliers, and the community. Only „major and other stakeholders” are mentioned in SSE, without indicating who belongs to these groups.

The assessment of these two principles is difficult due to the lack of full knowledge of all relevant factors for the reporting company; this knowledge is only available to business managers. Therefore, it was analyzed whether it is easy to identify the events reported as material in the report. Users can clearly indicate which events companies consider important. The economic events presented in the reports are most frequently mentioned in several places in the report (e.g. in the CEO letter, in the description of operating activities, and in the commentary to the financial data), which confirms their importance.

The criterion for evaluating the accuracy of the information contained in the report is whether it includes both favorable and unfavorable events, thereby making the company's image presented in the report reliable. Such presentation of information takes place in all analyzed reports. The CEF report can be given as an example where, in the section describing the operating activities, each of the companies in the group is presented in a synthetic manner (on one page) in three bullet points – Highlights, Concerns and Future.

This principle is described very briefly in the IIRC framework – the integrated report should be concise. The basic criterion for evaluating the conciseness of a report is the number of pages (see Table 1). Three of the reports are over 200 pages and the ORLEN report is more than 350. In most cases, a significant part of the report is a financial statement including notes, which in four reports was about 100 pages. In this context, the LOTOS report draws attention, while on 272 pages it contains numerous references to financial data, but the financial report itself is another document. In order to get the full picture, a user would have to read about 400 pages about the company.

Most of the reports show a considerable amount of information graphically. Such a presentation means that – despite the large number of pages – a report is easy to read. For example, the ENTERGY report (which mainly presents solid text), despite its relatively small volume, is less readable than other reports. An example of an overloaded report is the CLP report, which has a very large number of graphics, but also contains a lot of text on every page, written in small fonts.

The conciseness of the report can also be assessed by checking whether the information in it is repeated. Repetitions were reported in three reports – ORLEN, LOTOS and CLP. These are the three longest, which is partly the consequence of the repetitions. It is worth noting, however, that the occurrence of repetitions at the same time has a positive impact on the number of references in the report, as they allow for the linking of information presented in different sections of the report. ORLEN, LOTOS, and CLP have structured references between the parts of the report. For example, ORLEN, in the header of each page, indicates which capitals are affected by the events presented in that part of the report.

Conclusion

Integrated reporting is intended to improve the way organizations communicate with their stakeholders. Its purpose is not to provide a way to incorporate many types of reports into one document, but rather to arrange financial and non-financial information in such a way that it shows the value creation process in the organization. Since 2013, this process has been standardized by the <IR> Framework, which states <IR> objectives and specifies those objectives through the guiding principles that should underpin the preparation of the report and its main content elements.

The aim of the article was to prepare and empirically verify a research tool for an initial assessment of whether an integrated report meets the objectives set in the <IR> Framework. For the purpose of the empirical verification of the report, six integrated reports were analyzed. Each report was evaluated using the research tool. The surveyed companies included in the integrated report most of the content elements and took the majority of the guiding principles into account. It should be emphasized, however, that individual elements were treated with different levels of accuracy in different reports.

The tool was divided into two parts – 24 questions related to the content elements and 18 questions related to the guiding principles. In the content elements section, the reports received an average of 74 points out of a possible 96, with the smallest score being 46 points and the highest score of 96 points, so the differences between the reports are significant.

Integrated reports provide the most complete information on performance (five out of the six reported the maximum score in this section) and strategy. The presentation of achievements is not a new reporting area – indicators showing the results of an organization are presented even in financial reports (financial ratios), although it is worth noting that integrated reports also present non-financial measures. Strategic issues also seem to be an area well recognized by the organizations.

Slightly fewer points were awarded for questions about the presentation of the business model, although it should be noted that a lower average is due to the limited coverage of these issues in the two reports, the remaining four received the maximum number of points in this section.

In the next four areas, the reports received about 70% of the points. These are: business profile, governance, risks and opportunities, and outlook. In the case of the presentation of the business profile, the areas to be supplemented were the presentation of information on business segments and the description of the organizational environment. In the section on risks and opportunities, reports lack references to the business model or to the strategy. The lack of such a relationship results in a significant information limitation. Without presenting the sources of risks and their evaluation, a user has limited ability to assess whether the business model adopted by the organization and its strategy will create value in the future. Also, the outlook section indicates that some reports have focused excessively on presenting retrospective information without presenting market development perspectives nor analyzing them in relation to organizational strategy.

The smallest number of points was awarded to questions on whether the report preparation process is described and whether the report had been audited. Although this part may seem formal and technical, it does, however, significantly affect the credibility of the report and should therefore not be overlooked.

In the guiding principles compliance section of the research tool, the reports received an average of 50 points out of a possible 72, and the differences between the reports ranged from 34 to 64 points. Most points were awarded for questions regarding materiality and reliability principles – five out of the six reports received the maximum number of points for questions about whether the report included events affecting the organization's value, both positive and negative.

The aspects of strategic focus have also been high scored. The high rating of this area is consistent with the high score given for how the 'strategy' content section is presented. Most reports present strategies for the current and the next period as well as identifying capitals.

A slightly smaller number of points were awarded for questions regarding stakeholder relations, but three reports presented stakeholders and defined the company's relationships with them. In the other three reports, these issues are omitted or discussed too generally.

In the section on the conciseness principle, no report received the maximum number of points. Most of them present information in a clear manner, but they either do not contain references between individual parts of the report allowing the user to connect different areas of the report or they contain multiple repetitions that make the report very extensive.

The most diverse scoring concerns the questions on the connectivity principle. Most reports show measures that associate a business model and a strategy with a value created. Both a business model and a strategy are shaped by the external environment. Relations between financial and non-financial measures are also presented. At the same time, only two reports include measures to link capitals to a business model. Some of the reports also do not show the link between financial information and a business model, nor between risks and a business model. The absence of these links results in

the fact that different sections of the report – financial statements, strategy, and the risk management report – are individual documents rather than a truly integrated report reflecting the integrated thinking of the organization's management.

The prepared tool allowed us to examine whether the integrated reports presented the content elements in a complete way as well as whether they followed the guiding principles. The analysis of the sample reports revealed significant differences between them, showing that not all integrated reports meet the <IR> objectives to the same extent. Detailed analysis of scoring helps to indicate which areas are presented too broadly.

The empirical research is of an illustrative nature due to the small sample of reports. However, the article proposes a research tool that allows any integrated report to be assessed. It can be used to conduct future research on the relationship between the quality of an integrated report and e.g. the way stakeholders assess the organization, what the organization's results are, or how is it managed.

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Appendix

Inclusion of the content elements		
PROF	Is the business activity described?	
	Is the activity of the most important business segments described?	
	Is the environment in which the company operates described?	
	Total	/12
GOV	Are the corporate governance bodies presented?	
	Are the competencies of individual bodies presented?	
	Total	/8
MODEL	Did the report show the business model?	
	Have input elements of the business model been presented?	
	Have actions been presented?	
	Have the results of the activity been presented?	
	Have the final effects been shown?	
	Total	/20
RISK	Have the main risks been listed?	
	Have the presented risks been described in detail?	
	Are risks presented in relation to the business model?	
	Are risks presented in relation to the strategy?	
	Total	/16
STRAT	Have strategic objectives been presented?	
	Do specific objectives include measures and targets?	
	Has the implementation of the strategy in the reporting period been evaluated?	
	Total	/12
PERF	Does the report include key performance indicators – financial and non-financial?	
	Are the performance indicators presented in relation to the objectives set out?	
	Are the performance indicators related to stakeholder expectations?	
	Total	/12
OUTLOOK	Have the prospects for market development been shown?	
	Have these prospects been linked to the future business strategy and its capitals?	
	Total	/8
REPORT	Have the rules for defining important aspects of reporting been presented?	
	Is the report subject to audit?	
	Total	/8

continuation

Compliance with the guiding principles		
STRAT_FOC	Does the report contain the formulated strategy for the current period?	
	Does the report contain a formulated strategy for the next period?	
	Does the report identify capitals?	
	Total	/12
CONNECT	Does the report include measures to associate a business model and a strategy with the value created?	
	Does the report include measures to link capitals to the business model?	
	Is the business model and strategy shaped by the external environment?	
	Are the presented risks related to the business model and strategy?	
	Is the impact of past actions on the current situation clarified?	
	Are relations between financial and non-financial measures presented?	
	Does the financial statement present the effect of the events indicated as the most important?	
	Is data in the financial statements shown in relation to the business model?	
Total	/32	
STAKE	Are stakeholders indicated in the report?	
	Is the company's relationship with key stakeholders defined?	
	Total	/8
MATERIAL/ RELIAB	Are events relevant for the value creation process indicated?	
	Does the report present both positive and negative events?	
	Total	/8
CONCISE	Is information presented in a clear matter?	
	Does the report avoid repetitions?	
	Are there references between individual parts of the report?	
	Total	/12

