The Integrated Reporting of Financial, Social and Sustainability Capitals: A Critical Review and Appraisal

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Abstract

Organisations are increasingly disclosing financial and non-financial performance as they are encouraged to become more accountable and transparent to the providers of capital, and toward other interested parties. Most of them are clearly specifying their environmental, social and governance (ESG) content, as they report material information and resort to assurance mechanisms in their corporate disclosures. In this light, this research provides a critical review of key theoretical underpinnings that have anticipated the development of the corporations' integrated disclosures. Afterwards, it describes the International Integrated Reporting Council's <IR> Framework and its guiding principles. This contribution posits that there are both costs and benefits for those organisations who intend using the <IR> Framework. In conclusion, this paper outlines future avenues as it identifies knowledge gaps in the realms of the organisations' integrated reporting of capitals.

1. Introduction

Academic research is proliferating on the documentation and analysis of non-financial reporting. Many studies are clearly indicating how non-financial reporting and disclosures relating to environmental, social and governance (ESG) performance are increasingly becoming the norm for global multinational corporations in many contexts (Ioannou & Serafeim, 2016; Camilleri, 2015a,b; Idowu, Capaldi, & Zu, 2013). The corporate financial reporting consists of backward-looking financial information (Beck, Dumay & Frost, 2017; Camilleri, 2017; Crowther, 2016). However, such reported content may not necessarily reveal the whole picture of the organisations' performance (Burritt & Schaltegger, 2010). This issue has inevitably led to the development of the integrated reporting guidelines (Adams, 2015; Adams & Frost, 2008; Bhimani & Langfield-Smith, 2007). Hedberg & Von Malmborg (2003) reported that fifteen years ago there were companies who were already using the the Global Reporting Initiative (GRI)'s guidelines to enhance their visibility and control of their triple bottom line at the corporate level. Subsequently, the International Integrated Reporting Council (IIRC) has recently formalised its guidelines on financial and non-financial disclosures. Its International Framework for Integrated Reporting <IR> has also been promoted as a solution to the shortcomings in corporate reporting (Dumay, Bernardi, Guthrie & Demartini, 2016; Cheng, Green, Conradie, Konishi & Romi, 2014; IIRC, 2013). Hence, integrated reporting sought to offer a broad picture of the modern organisations by shifting away from stand-alone financial statements, sustainability or social responsibility reports, towards a document that communicated a holistic picture of the organisations' value creating activities.

Gone are the days where financial performance could be considered as the only measure of a company's worth. With a wide plethora of possible disclosure formats, the integrated reports have bridged the gap by including non-financial information that is very relevant to communicating corporate or other organisational strategies. <IR> combines financial and non-financial disclosures of the organisations' performance in one statement. Therefore, <IR>'s 'integrated thinking' stimulates the businesses and other entities to think about how they could generate value for themselves and for society. The <IR>'s framework raises awareness on its guiding principles and content elements that could be featured in corporate reports; it also explains the fundamental concepts that underpin them (Dumay, Bernardi, Guthrie & Demartini, 2016). Additionally, the rationale behind <IR> is to tackle a number of challenges that were (and are still) evident in conventional, stand-alone sustainability reports, such as; the failure to account for all sources of value creation, the complex interconnections between sustainability and financial performance, and the communication of a organisations' capitals or business models (Eccles & Krzus, 2010; Eccles, Serafeim & Krzus, 2011).

The integrated reporting offers a great opportunity for practitioners to instil greater confidence among stakeholders, as they become more accountable and transparent (Stacchezzini, Melloni & Lai, 2016; Lozano & Huisingh, 2011). <IR> commends that its integrated reports ought to be concise, reliable and complete, in all material respects, both positive and negative aspects should be reported, in a balanced way and without error or bias. <IR>'s online site also provides useful links to exemplary organisations who have resorted to its guiding framework (IR, 2017). The ease of access to IIRC's public data provides scholars with greater knowledge and understanding of the benefits and costs that are associated with the <IR> Framework. Therefore, this paper suggests that future development of <IR> could be informed by forging relationships with stakeholders, involving the practitioners themselves. Hence, academia is encouraged to engage in systematic, rigorous research that will put forward key implications for standard-setting bodies, report preparers and their users.

This paper addresses a research gap in academic literature along two lines of investigation. Firstly, it examines the International Integrated Reporting Council's <IR> guiding principles and content elements. Secondly, it links <IR> with key theoretical underpinnings. The author suggests that the agency, stewardship and institutional theories have contributed to the development of the <IR> field (Ioannou & Serafeim, 2012; Brammer, Jackson & Matten, 2012; Muth & Donaldson, 1998; Davis, Schoorman & Donaldson, 1997; Scott, 1995; Ness & Mirza, 1991; DiMaggio & Powell, 1991; Eisenhardt, 1989). Indeed, prior research has used legitimacy theory (Beck et al., 2015; Deegan, 2002; Suchman, 1995) to interpret corporate reporting practices, but it had also focused on content of corporate disclosures (Perego, Kennedy & Whiteman, 2016; Eccles & Krzus, 2010), as it considered the perceived users of these reports (Ioannou & Serafeim, 2016). Thus, this contribution adds value to the extant literature by exploring the emergence of non-financial reporting within a broader legitimation strategy (Idowu, et al., 2013; Brown & Deegan, 1998). The author contends that the concepts of isomorphism (Dacin, 1997; Deephouse, 1996) and isopraxism (Adams Potter, Singh & York, 2016) could elucidate our interpretation on why corporate reporting approaches are (or are not) converging toward integrated reporting.

In essence, this contribution investigates how the <IR> framework improves the transparency and accountability of financial, social and sustainability disclosures. The researcher explores key theoretical insights from social sciences and links relevant conceptual developments with the emergence of the integrated reporting of financial and non-financial disclosures. Therefore, this study critically appraises <IR>'s framework and discusses about its potential pitfalls and challenges.

2. The Conceptual Developments: Paving the way for Integrated Reporting

The <IR> Framework's broader view of value creation and its multiple capital concept calls for an enhanced stewardship of the organisations' capitals; whilst promoting a better understanding of the interdependencies between the capitals (IIRC, 2013, p.8). Relevant theoretical perspectives as well as sound empirical research suggest that the practicing organisations' underlying motive behind their non-financial disclosures is to maximise their financial capital and profit. This argumentation is synonymous with many conceptual theories in academic literature that seek to justify the rationale for voluntary, integrated reporting (Adams et al., 2016; Idowu et al., 2013; Deegan, 2002, Suchman, 1995; Scott, 1995; Eisenhardt, 1989):

2.1 The Agency Theory

In the twentieth century, corporations were clearly distinguishing the difference between ownership and control of wealth. The business owners were considered as principals as they employed executives (agents) to manage their firms. The latter executives acted as agents for the principals, and they were morally responsible to maximise their shareholders' wealth (i.e. the principals' wealth). The executives have accepted their agents' status because they perceived the opportunity to maximise their own utility. The agency theory suggested that the company executives and their principals are motivated by opportunities for their own personal gain (Eisenhardt, 1989). Rightly so, the principals may invest their wealth in profitable companies and could probably design governance systems in ways that maximises their investments. On the other hand, agents need to accept the responsibility of managing their principals' undertakings to secure their employment prospects.

However, at times, there may be divergences between the managers and their principals. There may be situations where the agents may feel constrained by their principals' imposed structures and controlling mechanisms (Davis et al., 1997). This matter could lead to unproductivity outcomes and will ultimately bring significant losses to the principals themselves. The firm would be owner-managed in the event where the agent would have no discretion,. In this case, having a situation where principals are autocratic towards their agents could result in serious repercussions for the businesses' prospects. The crux of the agency theory is that the principals are expected to delegate authority to agents to act on their behalf (Ness & Mirza, 1991). It is this delegated responsibility that at times allows agents to opportunistically build their own utility at the expense of their principals' utility. This happens when there are unaligned objectives; where managers may be motivated by their individualistic, self-serving goals, rather than being good stewards for their principals (Eisenhardt, 1989).

2.2 The Stewardship Theory

The stewardship theory is the collective-serving model of behaviour that is driven by the organisations' intrinsic values. In this case, the organisation would do what is best for society and the planet (Donaldson & Davis, 1991). The stewardship behaviours benefit principals through the positive effects of profits on corporate dividends and share prices. Consequently, the stewards place higher value on cooperation, rather than defection (these terms are also found in the game theory), because they perceive greater utility in collaborative behaviours. Stewardship theorists assume that there is a strong relationship between successful organisations and their principals' satisfaction. The stewards protect and maximise their shareholders' wealth because by so doing, they maximise their utility functions toward principals.

Stewards who successfully improve their organisational performance will also satisfy other stakeholder groups who will have their own vested interests. Therefore, pro-organisational stewards are motivated to maximise organisational performance, whilst satisfying the competing interests of shareholders. The utility that they gain from pro-organisational behaviours is higher than the utility that could be gained through individualistic, self-serving behaviours. This theory suggests that stewards believe that their interests are aligned with those of the corporation that engaged them (Muth & Donaldson, 1998). Ideally, the stewards ought to be committed to improve their organisational performance rather than satisfying their personal motivations. This theory's ideals are closely aligned with <IR>'s principles for value creation. IIRC's <IR> Framework emphasises the stewardship of multiple capitals, including; financial, manufactured, intellectual, human, social and natural capital. In the past, the accountability of social and environmental capitals has often been found to be completely lacking in financial reporting (Adams et al., 2016; Muth & Donaldson, 1998). In addition, some anecdotal evidence suggests that companies are not always presenting a true and fair view of their negative impacts. On the other hand, there are other organisations who may be reluctant to promote their responsible and sustainable behaviours. This may be due to a lack of awareness on the business case for such activities (Camilleri, 2015a). The motivations for undertaking stewardship behaviours, including; material ESG initiatives (that may be reported within integrated reports) seem to fall into two increasingly converging camps: doing good practices (this is consistent with the predictions of the stewardship theory) or doing well (this is consistent with both institutional and legitimacy theories).

2.3 The Institutional Theory

Different components of the institutional theory explain how certain processes become established as authoritative guidelines for societal behaviours. Very often, structures and institutions are created, diffused, adopted, and adapted over space and time; and eventually they may also fall into decline and disuse. Unlike the efficiency-based theories which focus on profit maximisation, or on the interactions between markets and governments; the institutional theory considers a wider range of variables that could influence the decision-making processes in organisations, including; their span of control, job programmability and compensation policy, among others (Trevino, 1986). Eisenhardt (1988) suggested that the situational variables arising from the immediate job context and the broader organisational culture could influence the organisations' normative structures and their reinforcement contingencies, including; the individual employees' obedience to authority, responsibility for consequences, as well as other pressures.

The institutional theory clarifies how firms respond to their surrounding environments where they operate. Stakeholders, including; governments, regulatory authorities, non-governmental organisations (NGOs), and organisations within the supply chain can exert their influence on any business. Organisations must conform to norms and rules that are prevailing in their operating environment (Scott, 1995). Their compliance with the institutions' formal regulations will earn them legitimacy among stakeholders (Beck et al., 2015; Dacin, 1997; Deephouse, 1996; Suchman, 1995). The institutional theory's applications have expanded even further; as more research is showing how the institutions effect organisational behaviours, particularly on corporate social responsibility (CSR) issues. Historically, the notion of CSR has emerged from the institutionalised forms of social solidarity that have emerged from liberal market economies. The institutional theory offers promising ways of investigating what lies at the heart of the publics' concern. Therefore, corporations are influenced by the institutions' ethos, voluntary principles, policies and programmes (Camilleri, 2015a). Their responsible behaviours have often been triggered by socio-political forces and pressure groups. In this case, CSR practice rests on the dichotomy between the corporations' voluntary engagement and their socially binding responsibilities (Brammer et al., 2012). The fact that CSR is 'voluntary' is a clear reflection of the practicing organisations' institutional context. Alternatively, CSR may be driven by legal, customary, religious or other defined institutions (Camilleri, 2015a).

Undoubtedly, numerous institutions have played a dynamic role, both individually and collectively in the development of integrated reporting. While governments have been the primary force for the promotion of financial reporting standards through security exchange commissions; other institutions like IIRC or GRI have facilitated the growth and diffusion of non-financial reporting mechanisms. For the time being, it may appear that there is a growing demand for the integration of financial and ESG disclosures by marketplace stakeholders (Camilleri, 2015a,b). Today's corporations are continuously engaging with external institutions, including multi-governmental organisations, social and environmental NGOs. It is in their interest to be accountable and transparent about their modus operandi with regulators, industry players and stakeholder groups, as well as, with standard-setting organisations (Camilleri, 2015a).

2.4 Isomorphism

Isomorphism has been constructed in conjunction with the applications of the institutional theory (Erlingsdottir & Lindberg 2005; Dacin, 1997; DiMaggio & Powell, 1991). This concept has largely been propagated through global cultural and associational processes. Isomorphic developments arise when ideas or innovations travel and are adopted in different contexts (Harding, 2012; Dacin, 1997; Deephouse, 1996). For instance; despite all possible configurations of local economic forces, power relationships, and forms of traditional culture it might consist of, a previously-isolated island society that has made contact with the rest of the globe would quickly take on standardised forms that are similar to a hundred other nation-states around the world (Meyer, Boli, Thomas & Ramirez, 1997). Similarly, the notion of isopraxism refers to ideas that are translated and modified by different actors to suit their own needs. Isomorphism and its related notion, isopraxism are potentially helpful for framing our interpretation of why corporate reporting approaches may converge (or not) over time.

For example, the principles-based and non-mandatory <IR> Framework could potentially create explicit and implicit reporting norms that shape the non-financial information of organisations that ought to be communicated through their integrated reporting. In this sense, isomorphism may be useful to understand how and why the disclosures of ESG content can become widely accepted across companies, over time (Adams et al., 2016; Deephouse, 1996). In a similar vein, isopraxism has been used to describe instances where identifiable institutional forces lead to new and different actions within specific organisational and social instances. Therefore, isopraxism suggests that organisations may be intrigued to move toward more integrated approaches to reporting. At times, legitimate organisations may be willing to voluntarily disclose their adapted ESG reports, out of their own volition. However, they may not necessarily label them ‘integrated’, and may not subscribe to IIRC’s <IR> Framework (Erlingsdottir & Lindberg 2005; Harding 2012).

2.5 The Legitimacy Theory

Very often, the institutional environments provide regulatory frameworks and may be considered as a considerable breath of narratives appertaining to non-financial disclosures, in different jurisdictions. Hence, there is a possibility that the stakeholders would perceive that the responsible organisations are legitimate entities; particularly, if they comply with relevant societal rules that are found in the countries where they are operating (Beck et al., 2015; Deegan, 2002). The stakeholders will probably appraise legitimate organisations when "their actions are desirable, proper, or appropriate within some socially-constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). This conception suggests that the role of the legitimacy theory is to justify the organisations' behaviours when they implement and develop ESG initiatives. The stakeholders will recognise those legitimate organisations who uphold their social contract in accordance with the expectations of public. Therefore, the drivers of institutional legitimacy may be influenced by the organisations' external environment; according to the culturally-defined values and beliefs. On the other hand, stakeholders will severely sanction irresponsible organisations when they do not respect social norms and ethical values.

Suchman (1995) described legitimacy as an operational resource assuming a "high level of managerial control over legitimating processes" (p. 576). Others suggested that legitimacy is strategic as it emanates from recurring conflicts between management and stakeholders (Dacin, Oliver & Roy, 2007; Suchman 1995). Organisational legitimacy could be achieved by forging strong relationships with external stakeholders (Camilleri, 2017). For this reason, organisations may decide to change and adapt their corporate disclosures according to their stakeholders' expectations, to achieve legitimacy. Any changes in their disclosure patterns may be driven by internal decisions on materiality. Corporate reporting could be considered as a mitigating factor that is driven from inside the organisation (Campbell & Beck, 2004). Therefore, the managers' agenda is to strategically enhance their legitimacy through stakeholder engagement (Camilleri, 2017). They may also make financial and ESG disclosures widely available to interested parties to achieve legitimation. This position is consistent with the <IR> framework. Within this context, the <IR> framework provides significant support to organisations who are willing to disclose their non-financial reports. However, when organisations utilise IIRC's framework for their very first time, they may inevitably have to adapt their financial and ESG reports as per IIIRC's recommended guidelines. Hence, the <IR> framework provides a passive avenue for institutional legitimisation. It is through the development of such guiding principles that society and external stakeholders are continuously influencing organisations to restore their ethical and social disclosures (Campbell & Beck, 2004).

The conditions for legitimacy are often constructed by responsible organisational behaviours as companies seek external legitimation by reporting their environmental performance (Brown & Deegan, 1998). Other research on the legitimacy theory reported that there were organisations who were voluntarily disclosing their sustainability reports (Fernandez-Feijoo, Romero & Ruiz, 2014; Hahn & Lülfs, 2014). Those corporations who decided to follow GRI's reporting guidelines (Fernandez et al., 2014) or resorted to the <IR>'s framework (Adams, 2015; Flower, 2015) were increasingly aligning their internal reflections with external outputs (Beck et al., 2015). Initially, the rationale behind their integrated reporting was to improve their organisations' external legitimation among stakeholders (Adams, 2015; Cheng et al., 2014). Beck et al. (2015) suggested that the organisations' relationship with external guidelines had evolved from pragmatic adoption as a means of seeking external legitimation to the present position where those that prepare external reports are informed by the organisation's strategic positioning. They contended that, "adopting integrated reporting <IR> will positively impact on capital flows" (p. 191).

3. An Appraisal of Integrated Reporting

In the aftermath of the global economic and financial crisis of 2007–2008, many policy makers, regulatory authorities and leading financial institutions were striving in their endeavours to improve their corporate reporting mechanisms (Crowther, 2016). At the time, there was an increased awareness on how ESG issues could help them improve their corporate reputation and image (Camilleri, 2017). The ethical behaviours in financial reporting is often equated with the obligation for companies to disclose a true and fair view of their organisational performance (Maniora, 2015; Simnett & Huggins, 2015). Organisations are accountable and transparent toward their stakeholders when they report both financial and non-financial information to their stakeholders (Adams, 2015).

The European Union (EU) has developed non-binding guidelines on non-financial disclosures of large public-interest entities (Camilleri, 2015b; EU, 2014). The European Parliament mandated Directive 2014/95/EU on non-financial reporting, that was subsequently ratified by the European member states. Therefore, large undertakings are expected to disclose material information on their ESG behaviours. They are required to shed light on any deviations from the directive's recommendations in their annual declaration of conformity, as per the EU's "Comply or Explain" principle (see Camilleri, 2015b). The entities' non-financial disclosures can include topics, such as; social dialogue with stakeholders, information and consultation rights, trade union rights, health and safety, gender equality, among other issues. Moreover, the organisations' environmental reporting could cover; material disclosures on energy efficiencies, the monitoring of efficiency levels their energy generation capacities, assessments on the co-generation of heating facilities, the use of renewable energy, greenhouse gas emissions, water and air pollution prevention and control from the production and processing of metals, mineral industry, chemical industry, waste management, livestock farming, etc. (EU, 2014). Therefore, large undertakings are expected to bear responsibility for the prevention and reduction of pollution (Camilleri, 2015b). The EU recommends that the large organisations should implement ILO's Tri-partite Declaration of Principles on Multinational Enterprises and Social Policy, as well as other conventions that promote the fair working conditions of employees. It also makes reference to OECD Guidelines for Multinational Enterprises, the 10 principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and mentions ISO 26000 Guidance Standard on Social Responsibility (Camilleri, 2015b; EU, 2015). This information is also available on its web page about corporate social responsibility, at the time of writing this paper (EU, 2017).

The EU's principles-based approach on non-financial reporting is consonant with <IR>'s guiding principles, as IIRC recognises the importance of linking different aspects of non-financial information with financial information in integrated disclosures (IR, 2017; de Villiers, Rinaldi & Unerman, 2014; Adams & Simnett, 2011; Adams & Larrinaga-González, 2007). The development of the <IR> framework has brought significant improvements in terms of the integration of financial and non-financial reporting. IIRC has developed its very own <IR> framework following multi-stakeholder discussions with international financial accounting standard setters, institutional investors, providers of voluntary guidelines for corporate responsibility disclosures, the national accounting bodies and NGOs, among others (Adams, 2015). Therefore, IIRC represents key stakeholders that are poised to change the existing duality of traditionally financial reports and discreet non-financial reporting in corporate disclosures. Initially, non-financial reporting was part of the Management Report and ESG issues were filed within the corporations' annual reports. Back in the 1990s, we witnessed the first spike of spurious social responsibility disclosures. Today, many companies are publishing more elaborated CSR Reports, Sustainability Reports, Corporate Citizenship Reports, Creating Shared Value Reports, and the like. These ESG reports have a lengthy tradition in voluntary reporting. The need for more comparable disclosures has led to the development of integrated reports (Adams et al., 2016; Adams, & Frost, 2008). The scope of the integrated reporting is to provide a more holistic picture of an entity that encompasses financial and ESG information. Hence, IIRC has created a globally accepted <IR> framework that elicits material information from organisations about their strategy, governance, performance and prospects, in a clear, concise and comparable format. This framework has accelerated the evolution of integrated thinking in corporate reporting (Perego et al., 2016). Evidently, the <IR> council is promoting the concept of integrated thinking and reporting. Its <IR> framework has spelled out content elements; with the aim of communicating aspects of non-financial activities and outputs that could potentially create value to the organisations' capitals. IIRC has aligned these capital allocations and corporate behaviours with its wider goals of financial stability and sustainable development. The <IR> Framework categorises different stocks of value, including; Financial Capital; Manufactured Capital; Intellectual Capital; Human Capital; Social (and Relationship) Capital; as well as Natural Capital.

The <IR> Framework relies on resources – such as the expertise of people, the intellectual property that was developed through research and development, as well as on interactions with the environment and the societies, along with its financial metrics. From this perspective, IIRC's guidelines were developed to address value creating activities over the short, medium and long term (Adams, 2015). IIRC has set out a principles-based framework rather than specifying detailed disclosures and measurement standards. This way, each entity sets out its own report rather than adopting a stringent checklist approach. For the time being, the integrated reporting is not going to replace other forms of corporate reporting, but the vision is that large undertakings, including corporations, state-owned entities and government agencies, among others, may be expected to report material information that will explain the key drivers of their non-financial performance (de Villiers et al., 2014; Adams & Simnett, 2011). The term 'materiality' suggests that there are legal connotations that may be related to non-financial reporting. However, some entities, out of their own volition, are already incorporating ESG information in their integrated reports (Perego et al., 2016; Churet & Eccles, 2014; Eccles & Krzus, 2010; Adams & Larrinaga-González, 2007). Recently, Camodeca and Almici (2017) have explored the content of the integrated disclosures of Italian listed companies. The authors featured material areas on commercial responsibility, including; "service quality and customer satisfaction", "marketing and communications", "strategic risk", "responsible finance", "performance management", "staff training", "industrial relations", "remuneration and incentive policies", "work-life balance", and "research and innovation", among others (p.131). They also reported about the corporations' disclosures on environmental sustainability issues, including; "sustainable supply chain", "energy efficiency", "pollution prevention and control", "emissions trading" and "eco-management", among others. The corporations' disclosures on social responsibility matters were related to health and safety, the treatment of employees, human rights, anti-corruption, bribery, as well as diversity and inclusion.

4. Potential Tensions for the Development of Integrated Reporting

Prospective non-financial reporting that is based on <IR> framework could provide a single source document that gives a good snapshot of both financial and non-financial data. However, while this framework is a significant strand as it has improved the corporate disclosures of both financial and ESG matters, the entities' integrated reporting is voluntary and non-binding. Therefore, the reporting organisations are frequently providing an incomplete picture of their activities (Camilleri, 2017; Adams et al., 2016). This implies that their integrated disclosures are not scrutinised by externally-recognised assurance mechanisms. Perhaps, for the time being, the greatest challenge for the report bearers is to identify what content should be incorporated within the integrated report (Thomson, 2015). They also need to identify the recipients of the non-financial reports (Adams et al., 2016; Parent & Deephouse, 2007).

Flower (2015) had voiced serious concerns about IIRC's approach to sustainability. This author held that the <IR> framework focuses on investors rather than stakeholders, society and the natural environment. In a similar vein, Brown and Dillard (2014) were critical about integrated reporting. They argued that "IR remains an ideologically-closed approach as it does not encourage critical reflection on 'business as usual' practices" (p. 1120). Deegan (2007) maintained that environmental reporting is designed to repair organisational legitimacy. Whilst, Adams and Larrinaga-Gonzáles (2007) held that sustainability accounting is being carried out to conform with institutionalised norms. In a similar way, Hopwood (2009) pointed out that environmental accounting protected the firm's inner workings from external views. Thus, few papers have attempted to assess the consequences (costs and benefits) of integrated reporting (Stacchezzini et al., 2016; Stubbs & Higgins, 2014; O'Dwyer, 2003).

Previously, Neu, Warsame and Pedwell (1998) had admitted that environmental disclosures might advance the corporate image; in the absence of corresponding engagement. However, they also contended that socially responsible behaviours and their accounting are not necessarily concomitant. This issue could possibly limit the implementation of integrative reporting. Stubbs and Higgins (2014) argued that the <IR> framework focuses on the 'supply side', namely, the preparers of integrated reporting whilst leaving out the 'demand side', i.e. the users' perspectives on integrated reporting. These authors explored how Australian providers of financial capital were interpreting IIRC's <IR> framework. They concluded that there was a significant gap between the information that was supplied by the reporting companies and information that was sought by the financial markets. The authors also claimed that IIRC's six capital model was not acknowledged by the Australian investors. In another paper, Higgins, Stubbs and Love (2014) argued that the approaches to reading are often conflicting, thus limiting the role of the integrated report with respect to the assertion of more responsible management behaviour. Rensburg and Botha (2014) suggested that the integrated reports should be simplified and made comprehensible and legible to a broader stakeholder audience. They maintained that this report should be easily understood by the general public. Flower (2015) and Thomson (2015) posited that little attention is devoted to the issue of sustainability. Similarly, Perego et al. (2016) hinted that the users of standalone sustainability reports were adjusting their bad ESG valuations to the level of integrated (financial and sustainability) report users. However, they also suggested that none of the standalone reports users were adjusting their valuations following the corporate disclosures about good ESG performance. They concluded that the report preparers made different value judgments when anchoring the effects of ESG information (Perego et al., 2016).

These reproaches emphasise that there are some relevant critiques on integrated reporting. Moreover, the accountancy profession may exercise its authority over the institutional processes that could bring a fundamental shift in framing sustainability accounting practices in integrated reporting (Crowther, 2016; Flower, 2015; Adams & Larrinaga-González, 2007).

5. Discussion and Conclusions

In simple terms, an integrated report is a report that combines the financial and non-financial disclosures. However, a thorough literature review suggests that the integrated report is more than just a summary of financial, social, sustainability and governance information in corporate disclosures (Adams, 2015). The integrated disclosures constitute a full picture of a company's overall business performance. Organisations are looking at all aspects of their value-creating capitals, including; financial; manufactured; intellectual; human; social (and relationship); as well as natural capitals (IR, 2013). These capitals complement and compete against each other. Therefore, the practitioners who would like to comply with IIRC's <IR> framework will probably experience a dynamic process of adaptation, learning and action to redesign their disclosures. They may have to change their internal management systems, processes and strategies to incorporate ESG issues into their core business model (Camilleri, 2015b, Adams, 2015, Churet & Eccles, 2014; Eccles & Krzus, 2010).

Relevant academic literature has yielded many recommendations, ideas and concepts that have surely improved corporate reporting (Crowther, 2016). This contribution also reported how "integrated thinking" in corporate reporting involves the inclusion of material information on financial and non-financial matters (Adams & Simnett, 2011). Moreover, it linked the organisations' integrated reporting with the conceptual developments that were conspicuous in the stewardship, institutional and legitimacy theories, among others. This paper has indicated that these theoretical insights have focused on the rationale for the inclusion of non-financial information in corporate disclosures (Adams et al., 2016; Eccles & Krzus, 2010). Although, there are reasonable arguments in favour and against integrated reporting; in sum, the researcher believes that the IIRC's <IR> framework has proved to be a useful instrument for those responsible organisations who are communicating about their financial and non-financial capitals (IIRC, 2017). The <IR> framework contains guiding principles and content elements that will enable organisations to disclose a true and fair view of their holistic activities. Conversely, the avoidance of ESG disclosures from their corporate reports can result in a highly-distorted picture of current and future business activities (Camilleri, 2017).

This research has evidenced how the theoretical insights from academic literature have led to the development of integrated reporting. It explained that the organisations' stewardship behaviours, including their 'integrated thinking' can help them improve their legitimacy among stakeholders and institutions. The researcher contended that IIRC's <IR> framework supports organisations in their holistic reporting approaches as it takes into account material information on financial, manufactured, intellectual, human, social and natural capitals.

5.1 Implications for Practitioners

Indeed, the IIRC's <IR> framework was a recent development in corporate reporting. This framework has its inherent limitations that were duly pointed out in this paper. However, this contribution maintains that integrated reporting provides a road map for those organisations who would like to pursue the sustainability path (Dacin et al., 2007). The <IR> framework is based on the general notion that integrated accounting considers both financial and non-financial information to give a true and fair view of the company's overall business performance. When practitioners embed ESG disclosures and "integrated thinking" they help to catalyse positive behavioural change within their respective organisation (Adams & Simnett, 2011). This integrated thinking influences the practitioners' ethical behaviours and their stance on financial and non-financial performance (Camilleri, 2015b). The researcher believes that the <IR> framework's strategic focus calls for both internalisation and externalisation processes. Internalisation is a process through which the organisation's human resources adopt the framework's external ideas, opinions, views or concepts, as their own. This process starts with learning about the reporting framework, and why its development makes sense to the organisation, as a whole. The internal stakeholders will probably experience a process of adaptation until they finally accept that their organisation's integrated reporting of financial and non-financial capitals creates value over time. Thus, the internalisation process can be understood as a process of acceptance of a new set of norms and working practices that will improve the organisation's performance, in the long term.

The organisations' internal transformation may lead to significant changes in terms of the embeddedness of ESG performance in their operational processes. The non-financial disclosures will shed light on the externalities that affect stakeholders and other unrelated parties. In other words, through integrated reporting; the internal effects of integrated reporting are finally externalised outside the organisations' boundaries. At times, organisations may intentionally or unintentionally conceal ESG information from stakeholders. Certain unethical practices may result from conscious or unconscious organisational behaviours or simply from misconduct when dealing with extensive information outputs.

In conclusion, this contribution suggests that the <IR> framework is a step in the right direction as integrated reporting leads to the re-evaluation of the organisations' legitimacy (Beck et al., 2015; Dacin et al., 2007; Brown & Deegan, 1998). Hence, IIRC's <IR> framework encourages organisations to report both positive and negative behaviours that substantively affect their ability to create value over the short, medium and long term. Practitioners are also expected to provide an adequate and sufficient context about their strategy, governance and prospects in a balanced way (Camilleri, 2017).

5.2 Future Research

This research has addressed a gap in the literature as it linked relevant theoretical developments to better understand the rationale for integrated reporting in today's era. Academic literature has often relied on limited publicly available datasets on the diffusion of integrated reporting (Perego et al., 2016). Moreover, past studies may have only focused on the 'supply side' pertaining to the <IR> framework; without investigating in much depth and breadth which organisational processes are crucial for integrated reporting (Simnett & Huggins, 2015; de Villiers et al., 2014). To date, there is still scant empirical evidence about the strengths and weaknesses that are associated with the implementation of integrated reporting (Perego et al. 2016; Cheng et al., 2014). Therefore, future research could explore how internal performance measurements and their disclosures may impact integrated reporting. Qualitative research could identify the content that should be reported in integrated disclosures. Alternatively, quantitative studies may investigate the perceived usefulness of the organisations' integrated approaches. In conclusion, the researcher posits that the concept of integrated accounting of and the disclosure of financial and material ESG information is still evolving among academia and practitioners.

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