INTEGRATED REPORTING - THE REFLEXION FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY INFORMATION

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ABSTRACT: *The initiative of integrated reporting contributed to the global accepting of the value-based reporting, which promises to improve the interconnectivity between the reporting of the financial information with the non-financial ones. During the last years, the drafting of integrated reports which should be easily read and contain the most essential financial and non-financial information, became necessary. The integrated reporting occurred as a new accounting practice in order to help organisations understand the way in which they create value and how they can communicate this efficiently to the interested parties. The launching of the conceptual background of the integrated reporting by the International Integrated Reporting Council (IICR) represents an important step in reforming the corporate reporting. The novelty brought consists in the holistic approach on the current and future performances of the organisation, which exceeds the limits of the historical financial information. The concept proposes to answer the current problems related to the annual reporting, considered much too thick and complex.*

KEY WORDS: *integrated reporting, social responsibility, non-financial information, corporate governance*

JEL CLASSIFICATIONS: *M41, M14, G43*

1. INTRODUCTION

Gray (1996) opens the discussion about the theory according to which the financial-accounting reporting of the organisations, and also the non-financial reporting must be aligned to a general framework of corporate social responsibility which must comply with the existing regulations. For this purpose, one should create a general development framework of certain integrated reporting principles. A first step in the realisation of this framework would be the identification of the target group, followed

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by a second step - the specification of the way in which the organisation is fit to report this information. The utility of the annual report should contain both reporting of the financial order, and also reporting of social and environment order (Gray, et al.,1996).

The integrated reporting originated from the necessity of creating a sustainable framework for any organisation which wishes to have an integrated thinking on the corporate reporting. The organisations have registered progresses in comprehending the creation of values, a greater collaboration within their teams, taking more informed decisions and the positive impact on the relations with all the interested parties. The integrated reporting is the central element of a global movement towards the creation of a more inclusive economic system and a system of capital markets, sustainable, facilitated and encouraged by a more efficient corporate reporting system. The integrated reporting is a process based on the integrated thinking which results in a periodical report integrated by an organisation on the creation of values in time and connected communications regarding the value creation aspects.

The progress towards the global adopting of the integrated reporting registered landmarks achieved by many organisations. In order to created long-term value, the stakeholders need to recognise the reputation of the organisation by promoting the financial stability and the durable development and the corporate behaviour. This must be reflected on the reporting methods incorporated in the everyday business practice. Through the integrated reporting of the organisations one intends the regulation of the social responsibility aspects focused on creating long-term values, which shall encourage the management and efficient disclosure of information.

2. LITERATURE REVIEW

The purpose of the integrated reporting concept is to facilitate the decisional and communicational process between the organisation and its stakeholders, in order to reach the long-term goals. Thus, one intends to point out the interconnectivity and interdependence between the strategic, financial and governance performances, and also of those between the organisation and the social, economic and environmental context where they perform their activity (Devi, 2014; Efrat, 2015; James, 2015). The integrated reporting represents a superior stage in the performance reporting process (Owen, 2013; Devi, 2014). The increasing pressure exercised by the stakeholders determined the increase in the preoccupation of organisations regarding their responsibility and contribution to the improvement of the environment and the community where they operate. The intensification of the manifested pressure derives from the increase of the public concern in relation to the social and environmental problems (Gillan, 2013; Richens, 2012).

Moving further and going through events such as the financial crisis, population growth, climate change, intensive exploitation of limited natural resources, environmental disasters (extreme droughts, earthquakes, hurricanes or tsunamis), numerous diseases and epidemics or the deplorable phenomenon of child labour, we can say that the aspects of social responsibility must play a fundamental role in the life of organisations (Marx & van Dyk, 2011; Efrat, 2015).

Therefore, one notices the need to adapt the reporting process of organisations to the current realities and requirements, by incorporating the optimal volume of financial and non-financial information. In this regard, the integrated reports made must cover and harmonise the economic, social and environmental aspects. The ultimate goal of the integrated reporting process is to create a faithful image of the organisation's current performance and future developments. (Cheng, et al., 2014; Havlova, 2015).

The International Integrated Reporting Council (IIRC) was established in 2010. Its establishment was the result of the collaboration between IFAC, GRI and the Prince's of Wales Sustainable Accounting Project (A4S). The purpose of the organisation is to develop a conceptual framework regarding the reporting of globally accepted sustainability that brings together all the information (social, financial and environmental) in an integrated, clear, consistent and comparable format (Prince of Wales, 2010 quoted by James, 2013). IIRC is made up of specialists and leaders, representatives of the private, academic environment, accounting firms, or regulatory and standardisation bodies. The most representative organisations include the IASB, FASB, the United Nations Environment Programme Finance Initiative (UNEP FI) or UNGC. Other significant contributions have been made by organisations such as: IOSCO, the World Wide Fund for Nature, or WBCSD (James, 2013; Cheng et al., 2014; Devi, 2014). The long-term vision of IIRC aims to transform integrated reporting into the main global reference framework.

The reporting process must play an important role in assisting the decision-making process and allocation of resources to achieve the sustainability goals (IIRC). According to Robert Hertz, the former director of the FASB, quoted by Dzinkowski (2015: 41), the IIRC vision represents a progressive approach to the interaction between the activity of the organisation and society. The concept represents an approach to corporate reporting that includes, in an integrated way, key financial and non-financial indicators and value-generating factors, covering the efforts and impact of the organisation on society and sustainable development.

3. INTEGRATED REPORTING - A NEED FOR A SUSTAINABLE ORGANISATION

The integrated reporting initiative has contributed to the generation of global acceptance of value-based reporting that promises to improve the interconnectivity between financial and non-financial reporting. There is an increasing necessity for an integrated report that is easy to read, that should contain the most essential financial and non-financial information. A good understanding of the basic information would help stakeholders understand the context in which they should interpret the reports. The reporting, completed with tables, charts, videos, could describe a holistic image of the organisation - the main goal of integrated reporting.

Integrated reporting provides a clearer picture of the organisation's performance than financial reporting can. This develops the interest of the interested parties on the corporate information as well as on the business model of the organisation, the long-term strategy and the creation of value and the sustainability.

The non-financial reporting directive plays an important role in stimulating the private sector actions and the commitment for achieving the UN Sustainable Development Goals (SDGs) and the Climate Agreement of Paris. Reporting these aspects can help organisations pass from just meeting the legal requirements, to the more responsible behaviour towards building a sustainable future.

Integrated reporting is a necessity for the sustainability of the organisation. This should take into account social and environmental aspects. For the organisation to be sustainable, it must make efforts for managing the direct and indirect costs of implementation, the creation and sustaining of a public image, training of the personnel behaviour, marketing opportunities. The organisation's performance management system helps analyse the current efficiency of an employee, finding gaps, exploring measures for improvisation and setting future goals. Performance management is considered one of the key human resource practices for promoting environmental behaviour and sustainable development, thus promoting performance management ecology. A sustainable supply chain leads to long-term profitability and gives the organisation a competitive advantage over its competitors.

Adopting a sustainable concept assumes that the organisation looks beyond its purpose to make a profit and aims to create a common value. Many organisations claim to promote a commendable corporate social responsibility activity to reach the common value, however they practice it superficially, and the main goal remains still to obtain profit. The driving factors for most social responsibility actions are external in nature, such as government regulations, customer pressure, customer attraction, and the desire to control risk (Lieberwitz, 2005). If the initiatives of social responsibility are taken only outside the borders of the organisation, then it is difficult to achieve the status of sustainable organisation. It is also important for the organisation to focus its attention internally, by involving employees in policies and practices for a positive impact on corporate social responsibility. The interconnection of these practices (such as green climate, recruitment, workforce, environment training, employee participation, performance management system, compensation and benefits system) with corporate social responsibility (CSR) will bring the employees clarity about the meaning and importance of greening for their organisation. It will also build a robust system dedicated to a pro-environmental purpose with the desire to incorporate the necessary changes. Similarly, CSR can contribute by allowing internal changes through ecology the development of green products and packaging. In the current scenario, where depletion of resources and increase of environmental hazards are major concerns, greening the organisation will help create common value and competitive advantage (Davis, et. al, 2013).

Integrated reporting has emerged as a new accounting practice to help organisations understand how they create value and how they can communicate these effectively to the interested parties. While the interesting experiences of early adopters of integrated reporting are beginning to accumulate, the development of the domain and how integrated reporting can be successfully implemented remains challenging and contested. Several issues are still controversial, without reaching a consensus on the central purpose as far as the integrated reporting is concerned. Experts perceive that the field is fragmented, and they consider that most organisations currently have a poor understanding of the business value of integrated reporting. They provide insights into how the field of corporate social responsibility is progressing, despite the challenges and places where they see improvements in the dissemination of practices in integrated reporting (Perego, et al., 2016).

Sustainable non-financial reporting emerged out of the need of any organisation that wants to be effective, demonstrating this by signalling the financial market that the organisation does not face risks associated to the social and environmental impact. Integrated reporting is an evolution of corporate reporting, focusing on concision, strategic relevance and future guidance. In addition to improving the quality of the information contained in the final report, integrated reporting renders the reporting process more productive, resulting in concrete benefits. Integrated reporting requires and creates integrated thinking, allowing a better understanding of the factors that materially affect an organisation's ability to create value over time. It can lead to behavioural changes and performance improvement throughout the organisation. Even if the cost-benefit ratio would not motivate an organisation to elaborate these additional reports, they will need to be included in order to achieve a sustainable activity, in report to the environment and the society in which the organisation wants to operate.

An integrated report represents the concise communication of how an organisation's strategy, governance, performance and perspectives, in the context of the external environment, lead to the creation of short, medium- and long-term value. The created framework allows an organisation to bring these elements together through the concept of "information connectivity", to best tell the story of creating the value of an organisation. Due to the economic-social progress, the need arose to elaborate and use a way of reporting that would include information related to aspects of social responsibility through the organisation's commitment to society and the environment. Integrated reporting is a strategic response to the need for sustainable capital markets, where financial reporting and other types of reporting are combined to demonstrate a concise communication about value creation over time, covering the organisation's strategy, governance, performance and perspectives.

The International Integrated Reporting Council (IIRC) launched in 2013 a framework for integrated reporting. A three-month global consultation process followed which targeted 25 countries. The framework includes quantitative and qualitative aspects that show the importance of integrated reporting in creating added value at the organisations level. The creation of the added value obtained and declared through the financial and non-financial report is influenced firstly by the activity of the organisations, and secondly by the external environment of the organisation, through the relationships with the stakeholders and according to the various resources it uses.

The deficiencies of the current financial reporting system in supporting the decision-making process and the risk management are a real challenge (Devi, 2014). The main goal does not refer to the simple increase of the number of information presented in the annual reports to cover the deficient areas, but to the increase of their relevance with the help of new, more comprehensive and condensed, reporting practices. The development of new reporting practices should integrate financial and non-financial information, in order to communicate faithfully the value creation process to stakeholders (de Villiers et al., 2014., Devi, 2014., Simnett & Huggins, 2015). The answer to these challenges can be represented by the introduction of the concept of integrated reporting (Devi, 2014). The initiative consists in presenting a single report, which clarifies and harmonises the relationship between financial and non-financial data with the help of current technological possibilities (Havlova, 2015).

4. ASPECTS OF SOCIAL RESPONSIBILITY IN INTEGRATED REPORTING PRACTICES

Given the ever-increasing demand, which emerged after the financial crisis of 2008-2009, to cover aspects of corporate social responsibility activity in integrated reporting practices, we can say that they play a key role in management controlling and managing the relations with the interested parties. As a result of integrated thinking, these reporting practices combine traditional financial accounting with sustainability and corporate governance related issues to enhance the usefulness of the modern business reporting decision. Although there has been a steady increase in research awareness in integrated reporting, the current state of activities of empirical research in integrated reporting has not been described so far (Eccles, et al., 2015). In December 2013, IIRC published for the first time a conceptual framework of integrated reporting, following ample consultations and tests by organisations and investors from all regions of the world. The participants summed together 140 organisations and investors from 26 countries included in the Council's pilot program. The consultative project, launched on April 16th, 2013, was developed based on the analysis of the answers received as a result of the document proposed for debate in 2011, the publication of a project that outlined the general lines in July 2012 and a prototype of the conceptual framework in November 2012.

The launch of the conceptual framework of integrated reporting by the IICR is an important step in reforming corporate reporting. The novelty brought lies in the holistic approach to the current and future performances of the organisation, which exceeds the limits of historical financial information. The concept aims to answer the current problems related to the annual reports, which are considered too thick and complex. The main goal is to increase the confidence of those interested, in order to substantiate the decision-making process through a principle-based approach. In this sense, the activity of the organisation is pursued by referring to six types of capitals, considered the main sources of value creation. These include financial, production, intellectual, human, social, relational and natural capital (KPMG, 2013; Cheng et al., 2014; Simmet & Huggins, 2015).

The conceptual framework issued by IIRC (2013) defines integrated reporting as the process based on the integrated thinking that results in the issuance by the organisation of a periodic integrated report on value creation during the period. An integrated report represents a well-defined and clear means of communication regarding the strategy, performance and future of the organisation, in the context of the economic environment in which it operates. The elaboration of an integrated report is based on the organisation's ability to create value, differentiating itself from other reports through an eminently concise approach, focused on strategy, long-term vision, connecting information, highlighting the resources available to the organisation and their independence, as well as by emphasising the importance of integrated thinking within the organisation (IIRC, 2013b: 2). According to Eccles et al. (2015) only 1% of the approximately 46,000 of organisations listed globally issued a self-declared integrated report for 2012. As far as the sustainability reporting is concerned, 3,704 organisations published a sustainability report by referring to the guidelines issued by GRI. By comparison, only 11 such reports were issued in 1990. The conceptual framework does not define a specific format for an integrated report. However, eight content elements are identified, fundamentally interconnected that do not exclude each other (IIRC, 2013). These content elements are presented in table no.1.

Table no. 1. Content elements of an integrated report

Content elements	The addressed problem
The overview of the organisation and the external environment	What does the organisation do and what are the circumstances in which it performs its activity?
Governance	The way in which the corporate governance structure sustains the ability of the organisation in creating the short, medium- and long-term value.
Business model	Which is the business model of the organisation?
Risks and opportunities	Which are the risks and opportunities that can influence the capacity of the organisation to create short-, medium- and long-term value and the manner in which it manages them?
Strategy and resource allocation	What does the organisation intend, and which is the way to follow in order to reach the goals?
Performance	To what extent has the organisation reached its strategic goals for the ongoing period and which are the final results obtained on the capitals?
Perspectives of the report	Which are the uncertainties and challenges that the organisation can encounter in implementing the strategy and which are the potential implications for the business model and the future performances?
The fundament of making and displaying information	Which are the criteria that support the decision of including or excluding certain aspects from the integrated report and how are they quantified and evaluated?

Source: Processed based on Integrated Reporting, https://integratedreporting.org/resource-type/technical/

Other interesting results are relevant from the study published by RobecoSAM and presented by Eccles et al. (2015). The research analyses the annual reports for 2011 and 2012 of the largest 2,000 organisations in the world. The paper indicates that only 12% of the analysed organisations for 2012 (8% for 2011) provided information about the impact of social and environmental initiatives on expense reduction or on income growth. RobecoSAM is the one that created the Dow Jones sustainability index (Eccles et al., 2015). These figures increase in significance if we take into consideration the study published by Emst & Young (2013b) regarding the strategies and social performances of the organisations. The analysis focused on the opinions expressed by 282 employees from 17 different sectors of activity. According to the results, over half of the interviewed subjects expressed their concern that the achievement of the main goals of the organisations could be affected by the decrease of natural resources in the next 3 to 5 years. Moreover, the research points out a strong consensus among the respondents regarding the improvement of the sustainable performances of the organisations as a result of adopting the concept of integrated reporting. Satisfying the requirements of all the content elements supposes an approach based on the guiding principles, taken from the conceptual framework issued by IIRC (table no. 2).

Table no. 2. The guiding principles of an integrated report, according to IIRC

Principles	Pursued goals
Strategic focusing and orientation towards the future	Offering a perspective on the strategy of the organisation and of the manner in which it is connected to the ability of the organisation in creating short, medium- and long-term value, by using capitals, but also the effects it has on them.
Information connectivity	The presentation, in the form of a comprehensive narrative about value creation, combinations, interactions and dependencies between the significant components for the ability of the organisation to create value.
Stakeholders' receptivity	Providing information regarding the quality of the relationship of the organisation with key stakeholders and the extent to which it understands, considers and responds to their legitimate needs, interests and expectations.
Significance threshold	Presentation of concise, significant information in assessing the ability of the organisation to create value in the short, medium and long term.
Concision	An integrated report must be concise.
Reliability and completeness	The inclusion of all significant aspects, both positive and negative, in a balanced way and with no significant errors.
Consistence and comparability	Information within integrated reports should be presented in a form that ensures comparability over time and in the relation with other organisations.

Source: Processing based on Integrated Reporting, https://integratedreporting.org/resource-type/technical/

Integrated reporting practices are continuously increasing in popularity globally. The starting point is the introduction of *the King III report* in South Africa. Another reference point is represented *the legislative proposal of the European Union regarding the provision of non-financial information by large organisations*. At the same time, the actions of other capital markets are remarked, which require *the reporting of social, governance and environmental aspects or an explanation for their omission*. Included here are the stock exchanges in Sao Paulo, Singapore, Kuala Lumpur or Copenhagen (IIRC, 2013 quoted by Simnett & Huggins, 2015; Simnett & Huggins, 2015).

Continuing the same idea, Mervyn King, reconfirms the efforts made in Brazil and Malaysia, mentioning also those undertaken by Japan or the Confederation of Industries of India. The United Kingdom and Australia also introduced the obligation to issue a report regarding the strategy, a financial and operational analysis respectively. Both initiatives can be interpreted as a step forward in implementing an integrated reporting practice. Moreover, the President of IIRC underlines that over 70% of the South-African organisations that have approached this integrated reporting practice have noticed improvements in the decision-making process. The specifications were made in an interview given to Efrat (2015). Making interoperable, comprehensive, efficient and effective reports would be impossible without highlighting the connectivity of information. Given that the creation of value depends on the interaction of the organisation with the external environment, a better understanding of the movements and changes of the resources of the organisation is needed (Monterio, 2016; Busco et al., 2013).

An answer to this challenge can be found by fructifying the capabilities offered by XBRL International. The language makes possible the interconnection of the presented information, but also the direct reference to the specialised literature by using tags (Monterio, 2016; Busco et al., 2013). XBRL is remarked as support of the practice for implementing the integrated reporting concept (Monterio, 2016). It allows the creation of authorised reusable definitions, called taxonomies that include the content of the terms used in the reporting process of organisations, as well as the relationships between them. Taxonomies have been developed by regulatory authorities, accounting standards issuing bodies, government agencies and other groups that seek to define reported information. XBRL does not limit the type of information defined, being a language that can be extended used in need. The main advantages of the softwares using the XBRL tags include: sorting the information depending on the needs of each user (Monterio, 2016); improving data transfer between users (Valentinetti & Rea, 2011 cited by Monteiro, 2016); increasing the degree of comparability between organisations (Monteiro, 2016).

In terms of the quality of the reports issued, they can be a basis for increasing the efficiency of the investment and decision-making process. The main advantages aim the increased availability and accessibility, but also the ease of achieving greater compliance with the regulations in force (Baldwin & Trinkle, 2011 quoted by Gonzalbez & Rodriguez, 2012). Thus, a better exploitation, reuse and adaptation to the requirements and needs of different types of stakeholders can be achieved. Evolution can represent an important step in reducing the complexity of annual reports, more and more evoked (Eccles & Krzus, 2015). These visual representations can contribute to an easier reading of the basic report. The main report would include the information needed to obtain a proper understanding of the key elements of the business of the organisation. The main report could include the following aspects of financial order and corporate social responsibility (table no. 3).

Table no. 3 Financial and social responsibility aspects included in the integrated reports

Treated aspects	Content
Financial aspects	• Business model and strategy; • The key figures of the financial statements (i.e. not the primary financial statements, nor the complete set of presentations) but the analysis of the essential financial information related to the aspects of corporate social responsibility (for example, key performance indicators - environmental, social and governance - as well as key

	values of operational performance); • Main risks and strategies for attenuating the related risks; • Primary financial statements with detailed presentations of the financial aspects; • tax reporting, including country-by-country reporting;
Social responsibility aspects	• Risk management reporting and internal controls; • Corporate governance; • Information on sustainability, such as: ✓ climate and environment; ✓ social policies and practices; ✓ human rights; ✓ corporate social responsibility • intangible assets (beyond those recognised in the financial statements); • information regarding innovation capacity; • employees related information and remuneration reports.

Source: Adaptation and processing from Eccles & Krzus, (2015)

Management should have the flexibility to determine the core format reporting while applying a few guiding principles. This approach would be to stimulate innovation. Also, it allows organisations to send their key messages, considering the broader group of interested parties. Some guiding principles regarding the basic report would contribute to the creation of qualitative corporate reports, together with the comparability between organisations.

In order for an integrated report to perform its functionality, it must be *clear* (i.e. easy to understand); to have a *fair and balanced* vision (i.e. to include all information, both good and bad); a *specific organisation*; be *material, relevant, consistent, comparable and reliable*; be *reasonably verifiable and measurable*; to use various formats of *technology-enabled reporting* that include narrative reporting, tables, charts, etc. (Caraiani et al., 2010).

The aspects of corporate social responsibility captured in an integrated report should meet the needs of a wider interested party, that exceedes the investors community. Organisations could also be encouraged to reveal their integrated report audience and explain the reasoning chosen. More and more sophisticated interested parties wish for an effective communication. We admit that finding the principles of relevance and reporting might prove more difficult when considering a wider audience. So far, these concepts have been developed only from the investor's point of view. When providing information for a broader group of interested parties, it seems important for the organisation to mention who the expected users are, as well as how relevance and materiality have been determined. The purpose of the concept would be the reporting of financial and non-financial information specific to the organisation instead of voluminous reporting. Users would benefit from higher quality and more concise corporate reporting. Accountancy Europe urges regulatory authorities and decision makers, and other interested parties to take initiatives to simplify and render efficient the current rigid reporting environment. It is also necessary to reduce reporting tasks for organisations. Removing barriers in innovation and coordinated efforts by all key key-actors, including decision makers and regulatory bodies, would help promote innovation in corporate reporting. Better coordination between different parties could lead to the correct balance between policies, regulation and innovation.

According to Eccles and Krzus (2015) integrated reporting involves the issue of a single report that simultaneously combines and integrates three types of information: financial and narrative information that appear in the annual reports of organisations; non-financial information (social, environmental and those referring to corporate governance); the narrative information that appears in the social responsibility report or the report regarding sustainability. The integration of financial and non-financial reporting is far more complex than the simple issue of a combined report. The process involves the use of modern information means in a way that cannot be done on paper. Therefore, it is imposed the use of the analysis tools that allow the creation of personalised reports depending on each user's special needs (Eccles & Krzus, 2015).

Integrated reporting represents the crystallisation of the efforts of reporting initiatives regarding sustainability. The concept goes beyond the presentation of information on strategy, governance or financial performance, covering social, economic and environmental aspects, but also other aspects considered relevant to the activity of the organisation (Healey, 2013: Owen, 2013; Roth, 2014). The specialised literature reveals a series of advantages of implementing the integrated reporting concept. In this regard, table 4 attempts to summarise the main expressed opinions.

Table 4. Main benefits of integrated reporting

Benefits of integrated reporting	Author(s)
Providing information on future developments, which interconnect information related to strategy, risk, remuneration and performance	Devi (2014)
Connecting the strategy to the company's commitment to the long-term management of social, economic and environmental problems	Ernst & Young (2013)
Broadening the limited spectrum of financial information with non-financial information related to strategy, social and environmental factors, human resources, intangible assets, governance models or risk management	Monterio (2016)
Facilitating the understanding of the interrelationship between the performance of the organisation and its impact on the company, the improvement of the internal decision-making process or the reduction of the costs related to long-term reporting	James (2015)

Source: adaptation from Devi (2014), Ernest et all. (2013), Monteiro (2016), James (2015)

An integrated report must treat the characteristics of a sustainable organisation as an integrated part of a sustainable world. This will highlight the contributions of the organisation to sustainability, as well as its unsustainable actions resulting from the interaction of the organisation with the environment in which it operates (Gray, 2010 quoted in Thomson, 2015). James (2015) analyses the perception of the interested parties on an organisation, considered essential actors in the continuation of the path to sustainability and integrated reporting, on the opportunity of adopting the concept of integrated reporting. The study highlights the openness for reporting on sustainability, materialised by presenting performance indicators related to environment, security, employees, community and corporate governance. Also, the questioned interested parties identify a series of changes, which, in their vision, could generate beneficial effects on the reporting process. These include *the adoption of high-quality reporting standards regarding sustainability, the introduction of the obligation of this type of reporting or the issue of a single integrated report*.

A study conducted by Black Sun and IIRC (2014) highlights the benefits of including social responsibility information in integrated reporting. The study consisted of completing questionnaires submitted online and included 66 organisations, included in the IIRC pilot program. Black Sun company is one of the main consultancy firms on corporate strategic communication at European level (Black Sun & IIRC, 2014). The research refers to *the quality of the information presented and the understanding of how it creates value*. Thus, 92% of respondents indicate a better understanding of value creation, while 84% note an improvement in the quality of the information presented. More than half of those interviewed reported improving the relationship with institutional investors. The evolution is attributed to a better understanding of the organisation's strategy and to the increase of confidence in the viability of the long-term business mode. A little over two-thirds of respondents found a better understanding of the risks and opportunities of organisations, especially long-term ones. Moreover, 79% of them noticed an improvement in the decision-making process (Black Sun & IIRC, 2014). According to Havlova (2015), adopting the concept of integrated reporting facilitates the reporting process of organisations, generating benefits for all stakeholders. The analysis aimed the form and content of the reports, the degree of compliance with the GRI provisions, but also the number of reports published on the websites of the organisations included in the IIRC pilot program. The results showed a decrease in the number of issued reports, a greater use of modern technological means, but also a change in the volume and content of the presented information.

Cheng et al. (2014) perform a comprehensive analysis on the evolution of the integrated reporting concept. According to the authors, the ability of integrated reporting in value creation accounting does not depend on the effectiveness of organisations in adopting the technical aspects of the conceptual framework, but on their ability to stimulate new ways of thinking and acting to improve and adapt the business model to current realities (Cheng et all., 2014). As a final mention, Owen (2013) outlines the main differences between integrated reporting by comparison to the traditional system. The comparative analysis is synthetised in table no. 5.

Table no. 5. Integrated reporting versus traditional reporting

Characteristics	
Integrated reporting	**Traditional reporting system**
Strategy orientation	Focus on operational issues
Long-term vision	Short-term vision
The perspective approach	The retrospective approach
Presentation of a qualitative analysis accompanied by quantitative information	Presentation of quantitative historical information
Issue of reports covering a wider scale of performance indicators	Simple compliance with the provisions of external financial or audit reporting

Source: adaptation and processing from Owen (2013)

Going the same direction, Hoffman (2015) highlights the benefits perceived by South African organisations five years after the implementation of the integrated reporting concept. In this sense, we notice: the focus on the truly important issues; a more comprehensive analysis of risks and opportunities; adapting and communicating the organisation's strategy effectively; an improved and better focused performance measurement and management process; achieving integrated approach and integrated management goals; rendering efficient and aligning internal and external reporting; a report full of content and meaning.

The external environment must be considered in the value of the creation process. *The relevant aspects of corporate social responsibility are: social issues, such as population and demographic change, human rights, health, poverty, collective values and educational systems; environmental challenges, such as climate change, loss of ecosystems and scarce resources as planetary boundaries are addressed.* These relate directly to a series of SDGs. The strategies and plans for the allocation of resources are influenced by the external environment, and risks and opportunities must be identified. Also, they are influenced by the quality and accessibility of several capitals which are in their turn influenced by the problems of sustainable development. Capitals are stocks of value increased, decreased or transformed through activities and the results of the organisation that influence the availability of capital in the future. Sometimes, costs or other effects on capital are outsourced, that is, they refer to capitals that are not owned by the organisation. Such outsourcing may eventually increase or decrease the value created for the organisation and, therefore, financial capital providers need information about them in order to evaluate their effects and allocate resources accordingly. The Board of Directors has the responsibility to create a supervising structure to support the creation of the value of the external environment. This document is addressed to those who wish to improve the contribution to organisations and SDGs who wish to reduce corporate risk and increase opportunities arising from sustainable development issues.

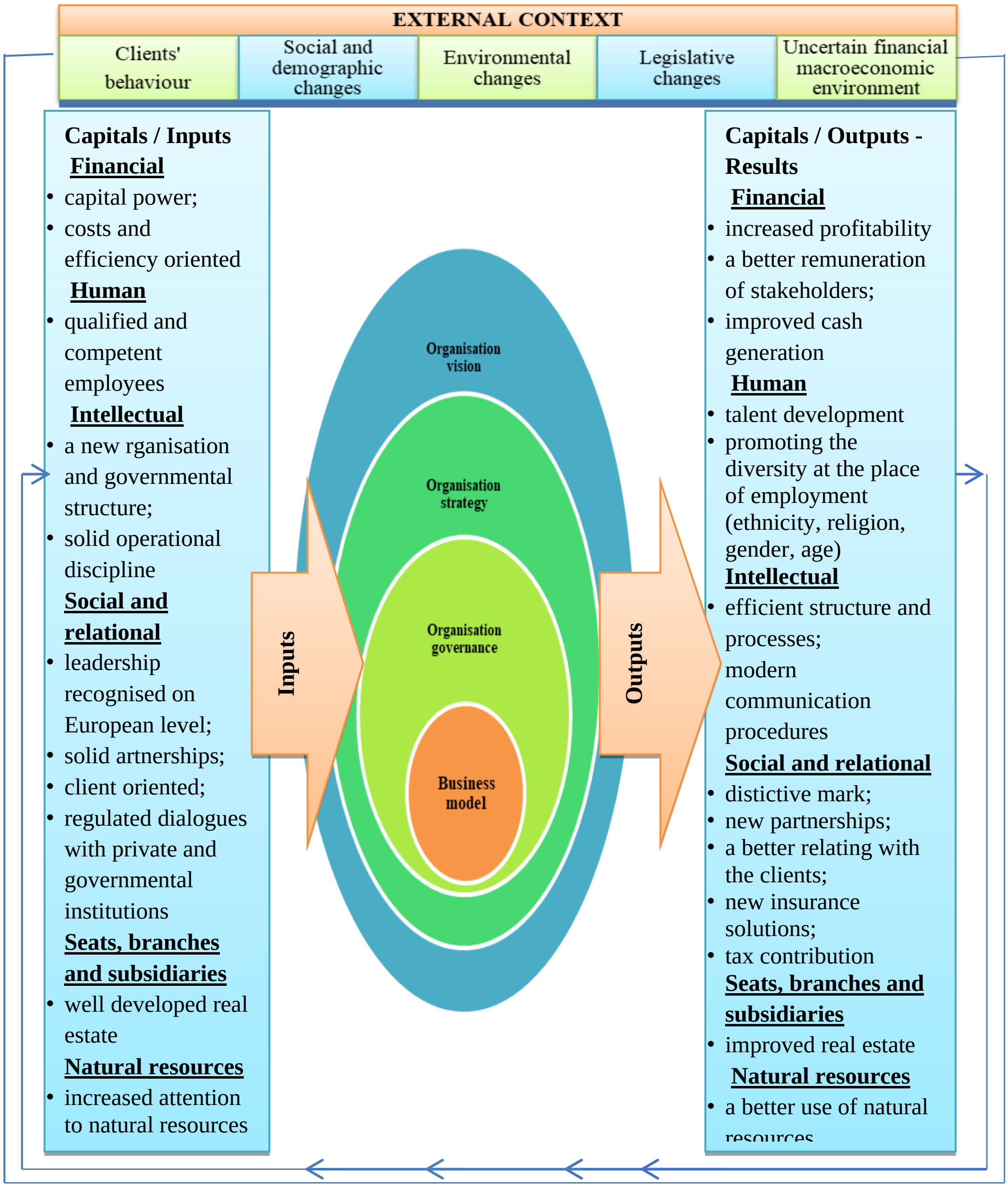
It is particularly relevant for organisations that wish to maximise long-term value creation and re-evaluate their mission and purpose. Within these organisations it is intended for those responsible for developing the strategy, those responsible for reporting social responsibility activities and boards of directors. The document is also relevant for those who want to take into consideration investors, regulatory authorities, governments, NGOs and other interested parties and, of naturally, for current and potential users of integrated reports. Organisations are invited to contribute to sustainable development by achieving the sustainable development goals that were adopted in 2015. They are also warned that the success and long-term survival of some industries and organisations depends on the achievement of one or more SDGs, especially climate action.

Although overall responsibility lies with national governments, the SDGs cannot be achieved without a concerted effort made by the organisations. The Sustainable Development Goals (SDGs), also known as Global Goals, were adopted by all member states of the United Nations in 2015 as a universal call to action to end poverty, to protect the planet and to ensure that all people enjoy peace and prosperity by 2030. The 17 SDGs are integrated - that is, they recognise that action in one area will affect the results of others and that development must balance social, economic and environmental sustainability. By the commitment to not leave anyone behind, countries have pledged to track the rapid progress for the most distant ones. That is why corporate social responsibility issues need to be pursued to bring about mutual change for both organisations and all stakeholders (zero poverty, hunger, AIDS and discrimination against women and girls). The creativity, the know-how, the technology and the financial resources of the entire company are needed to achieve the SDG in each context.

5. ADOPTING INTEGRATED PERFORMANCE REPORTING MODELS - AN APPROACH AT THE LEVEL OF THE DIFFERENT CATEGORIES OF ORGANISATIONS

There are almost 2,000 integrated reporting participants in networks all over the world. The development of integrated reports by organisations takes time, who encounter various barriers to implement integrated thinking. Obtaining commitments from the board of directors and other interested parties within the organisation and establishing effective communication between teams, requires significant time and effort for organisations. Other barriers would be the concerns about the legal liability of directors in the face of information presented in corporate reports in some jurisdictions. Developing the content of the prospective report is also a challenge for organisations because of the instinctive prudence of their legal department. Each time the organisation expresses its future actions, they take a risk. Regulatory requirements and time periods create special challenges for organisations. Aligning the reporting of organisations with integrated reporting has proven to be a challenge.

Adopting integrated reporting must take into consideration the ways in which they can respond to the needs of the stakeholders by providing strategies and business models that they can value. Generally, the reports include discussions of each content element through which organisations must disclose social performance through the adopted key strategic goals; an overview of the governance structures; briefly explain the manner of support of the ability to create value on short, medium and long term; how the organisation deals with risks and opportunities, in the context of the value created over time; clear information on the organisation's strategy to create value on short, medium and long term. The consequences of economic troubles and insecurity, financial uncertainties, technological evolution, social and environmental changes, as well as legislative changes that influence the social performance of a business. All these consequences can have a significant impact on the activities of the organisation and its ability to create value. However, a sufficiently solid base of capitals (financial, human, intellectual, social, real estate and natural resources) can lead to the creation of a business model that provides easily accessible (outputs-results) insurance solutions, and satisfies the needs of the clients according to the business strategy of the organisation. The activities and results of the organisation can have both internal and external consequences and effects on the different (financial, human, intellectual, social and relational, as well as of the natural resources) capital values used in business (figure 1).



Source: adaptation and processing from the Association of Authorised Accounting Experts, www.accaglobal.com

Figure 1. Value creation process

In the process of adopting integrated reporting models, organisations must take into consideration *five essential principles*, namely: *connectivity of non-financial* *information; materiality, concise character; reliability and completeness; and consistency and comparability.*

- *Non-financial information connectivity* is the first of the five essential principles that an organisation must take into account when elaborating the integrated report to provide a complete image of the combination, inter-relationship and dependencies between the factors that affect the ability of the organisation to create value over time. According to the Conceptual Framework, organisations should consider the connectivity of non-financial and financial information in different forms, including between: content elements; past, present and future; the six types of capitals (financial, human, intellectual, social, real estate and natural resources); financial information and information on corporate social responsibility; quantitative and qualitative information; management information, information of the board of directors and externally reported information, information from the integrated report, information from the other communications of the organisation and information from other sources.

- *Materiality of non-financial information:* According to the General Integrated Reporting Framework of IIRC, disclosure of information must be made especially for issues that substantially affect the organisation's capacity to create value on short, medium and long term. The framework also sets out four steps for making decisions regarding materiality and presenting these decisions: identifying relevant problems based on their capacity to affect value creation; assessing the importance of the relevant problems in terms of their known or potential effect on value creation; prioritising problems according to their relative importance; determining the information that must be disclosed on material matters.

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- *Concise character:* Many reporters find the concise character difficult, because they try to provide enough context to help readers understand the process of value creation and the performance of the organisation. In the study elaborated during 2014-2016 by the Association of Chartered Certified Accountants (ACCA) - global body for professional accountants, is shown that only 41% of the analysed reports were considered concise. Of the 20 reports specifically referred to as integrated reports, eight had over 150 pages. Many reporters find it difficult to achieve a concise character, as they try to provide enough context to help readers understand the process of value creation and the performance of the organisation.

- *Reliability and completeness:* The conceptual framework states that an integrated report should include all material problems, both positive and negative, in a balanced manner and without material errors. Although the completeness and the absence of material errors are difficult to estimate, taking the reporting to nominal value, the reviewers of the study conducted by ACCA in 2017 observed that only 51% of the analysed reports achieved a balance of good and bad news in an equal measure (www.accaglobal .com). Obtaining reliability and completeness is important for the credibility of a report in the eyes of investors and other interested parties.

➢ *Consistency and comparability:* The framework stipulates that information in an integrated report be presented on a consistent basis over time and in a manner that allows it to be compared to other organisations insofar as it is material to the organisation's own ability to create value over time (International Integrated Reporting Framework, paragraph 3.54). In the study conducted by ACCA for 12 of the 41 revised reports, the reviewers were unable to assess coherence and comparability, because no comparison basis was provided.

6. CONCLUSION

The integrated reporting was conceived and developed to complete the traditional financial reporting system. A financial reporting that no longer corresponds to the current economic and social context, when the organisations want to develop responsible operations on medium and long term (the development of the intellectual property of the personnel, their interaction with the internal and external environment, social actions undertaken). The International Integrated Reporting Council (IIRC) has promoted the concept, inspired by the goal of a world in which integrated thinking and reporting are incorporated into the business practice.

The IIRC vision aligns capital, allocation and corporate behaviour with broader financial stability goals and sustainable development through integrated reporting and thinking. Since the launch of the first conceptual framework in December 2013, the rhythm and extent of adopting integrated reporting models has constantly increased. Starting with 2018, integrated reporting has entered the "global adoption phase", which aims and positions firmly the corporate governance and reporting at the centre of the organisation. Measuring and quantifying inputs and outputs in a concise and comparable way can be challenging. Few organisations can allocate the necessary resources for innovation and measurement tools.

A complete image can be harder to view when organisations provide information in a series of different reports, including annual reports, sustainability reports and corporate social responsibility reports. Organisations must continue to work on improving connectivity between content elements, such as strategy, performance, perspective and business model. Other forms of connectivity are even more difficult to achieve. Focusing on ways to connect different parts of the report and content elements can be the first step in achieving connectivity to the broader extent.

Some integrated reports consider that there is a need for guidance (from IIRC) regarding the best practices to encourage more the organisations that try the quantifying. Other recognised guidance standards and sectors such as the International Accounting Standards Board, the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Standards Organisation (ISO) can provide support. However, some interviewed analysts, such as Michel

Bande, Executive Vice President of Solvay Company, claim that care must be taken when adopting such standards, in case this leads to an approach that is based too much on compliance. This is an important concern because the current frameworks and standards tend to overlook the indicators associated with value creation, instead focusing on risks or contributions.

Integrated reporting cannot provide all the answers. Encouraging organisations to integrate all aspects of corporate social responsibility is difficult and it requires a concerted effort.

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