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A New Form of Reporting For Companies. The Integrated Reporting.

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Abstract : The importance of developing this research is due to the fact of integrating reporting as a new practice, and concept and a new form of communicating information through accountability. Companies which adopt this form of communication need models, and the institution that regulates integrated reporting is making adjustments on a framework to help them to compile information.

The objective of this study is to present the state of art giving the most important steps in the history of integrated reporting, and giving some points of view to verify in future research.

In this study, we analyzed the evolution of integrated reporting revising the recent literature. First, we study the history, them the contents of integrated reporting and finally we discuss arguments in favour or against integrated reporting. We conclude that there are several advantages above the disadvantages that need to be improved to disseminate the form of doing integrated reporting all over the world for some kind of companies.

Key words: integrated reporting, IIRC, sustainability, financial and non-financial information.

1. INTRODUCTION

The demand for information on different financial parts is a use that stakeholders and shareholders are already accustomed. However, the loss and the poverty of financial reporting can affect the interpretation of business performance (Lodhia, 2015).

Nevertheless, the creation of additional financial parts with mandatory for disclosure of various information beyond the financial position, economic performance, financial flows, financial position and notes, is something that should be substantially restricted in the accounting process report. The new paradigm: economic, social and environmental is more complex to express in different measures, than a simple financial focus (Lodhia, 2015).

Additional pieces of information give an addition and complement on information published on traditional pieces. But these additional pieces don't have specific regulations; they are made, in specific cases, in the interest or wide the purpose of promoting the enterprise situation. Because of this some of these pieces have unique nature, and do not allow the comparison of results, social practices, performance levels, strategies, environmental impacts, which does not guarantee the reliability of information.

In this context the Integrated Reporting – IR appears. It could solve some of the problems expressed. It has the objective of reporting financial and non-financial information under properly defined parameters that ensure comparability and reliability for trainers and business information users. But the real importance of this piece will be given in its use in the future by enterprises.

This article explores the use of integrated reporting, which seems to be the future for reporting information associated with variables whose measures are not universally accepted until now. Firms use several forms to inform in their accountability for valuate critical variables like environmental and social aspects.

This study uses practice theory to examine how integrated reporting can solve the problem of several maps and other accounting elements to report social and environmental information that affects firm's performance. It brings governance, financial capital, intellectual capital, social capital and environmental capital into a common platform (Morros, 2016).

2. LITERATURE REVIEW

2.1. Introduction

More and more firms provide concise and focus on sustainability information in their annual reports (Dumitru & Jing, 2015). It increases social and environmental disclosures made in separated reports and information on

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media and web sites (Morros, 2016). This information doesn't have the same basis for all firms.

The need of integrating reporting is highlighted by several authors (Hopwood, 2009; Gray & Milne, 2002; Milne & Gray, 2013; Lodhia, 2015) that indicate the shortcomings of sustainability reporting associated to mask the corporate performance, especially in social and environmental issues, and questions how the sustainability reporting can influence the sustainability of the planet (Lodhia, 2015). By the fact of integrated reporting being in development and not being concluded the opinions of the authors maintain until now (Lohdia, 2015). Morros (2016) an understanding that integrated reporting is the logical consequence of the growth of sustainability and corporate responsibility. But can itself solve all the problems related to reporting sustainability? It is not that simple answer to this question, first we must understand its structure and its objective of thinking.

The concept of integrate thinking plays a very important role in the development of integrated reporting (Bouten & Hoozée, 2015). It considers a vison of creating value on short, medium and long term. It should be a critical tool in embedding integrated thinking (Lohia, 2015). The integrated reporting base is on integrated thinking in the organization (Bouten & Hoozée, 2015). Particularly in the case of integrated reporting there is a focus on value creation for shareholder in opposition to all stakeholders (Bouten & Hoozée, 2015). Lohia (2015) says that to build an integrated reporting is much more than a combination of different reports. To build an integrated reporting is very hard when a company does not have an integrated sustainability corporate strategy (Bouten & Hoozée, 2015). Because the companies have to report to several categories of stakeholders, and in this reporting they must inform more than accounts, financials and business indicators, they must inform stakeholders about know why, and how companies create value and how they deal with social responsibility and sustainability (Morros, 2016).

When a company begins to elaborate an integrated reporting it requires significant transformations, efforts and costs and follows a process:

a) First internally the companies must communicate and motivate employees for the reporting process;
b) Review the document process and corporate documents;
c) Improve the action to prepare integrated reporting;
d) Guarantee an efficient system of collecting information data and reduce the risk in management system (Dumitru & Jing, 2015).

The great benefit of integrated reporting is incorporate sustainability on business practice (Lohia, 2015). Also to simplify relevant information and put it more transparent (Lohia, 2015), concise, consistent and in comparable format (Morrros, 2016). The success of implementing effectively integrate reporting in companies comes from the single and unified form of reporting principles, norms for sustainability function and the accounting system (Dumitru & Jing, 2015).

2.2. HISTORY OF INTEGRATED REPORTING

The integrated reporting appears in association to the Prince's Accounting for Sustainability Project (A4S) in 2004 that creates a guide in 2009 to explain how all areas of organizational performance can be presented in a connected reporting way (Morros, 2016).

In December of 2009 the Royal Highness the Prince of Wales, on behalf of A4S, the Global Reporting Initiative (GRI) and the International Federation of Accountants (IFAC) called for an International Integrated Reporting Council (IIRC) with the purpose to develop an integrated reporting (Morros, 2016).

The concept of integrated reporting was developed by two institutions The King Report on Governance for South Africa – Integrated Reporting Council of South Africa and the International Integrated Reporting Council in the United Kingdom (Morros, 2016).

The integrated reporting was born in December 2009 by a meeting in London of several and important institutions like Association of Chartered Certified Accountants – ACCA, European Laboratory on Valuing Non-Financial Performance, Financial Accounting Standards Board - FASB, International Accounting Standards Board – IASB, United Nations – UN (Green Economy Initiative, Global Compact and the Environmental Program Finance Initiative), Harvard University, KPMG, PricewaterhouseCoppers, Railpen, SustainAbility assembled by the Accounting for Sustainability - A4S and the Global Reporting Initiative - GRI. The aim of the meeting was to integrate financial and non-financial items into reporting (Chersan, 2015), and it includes business information that was universally accepted and comparable. As a result of the meeting an agreement was established to improve

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transparency in accounting and financial reporting (Chersan, 2015). The objective of accounting was to develop an integrated framework of reporting to inform about both financial and sustainability information at the same time in the document, because there were and still maintain insufficient measures for items of environmental and social facts reported in accounting information (Chersan, 2015).

In August of 2010 the first step was given to create an entity in charge of providing the basis for the development of integrated reporting (Hrebícek, Soukopová and Trenz, 2014). This institution is made up of regulators, investors, companies, entities that define certain standards for the accounting profession and non-governmental organizations. All of them share knowledge to create new standards for the accounting profession. This institution is called the International Integrated Reporting Council – IIRC. It has the function of developing the stakeholder's sensitivity to the preparation and use of information, providing an integrated reporting model, identifying key areas where additional information is necessary to check whether the existing rules should be voluntary or mandatory and disseminate the need for global adoption of integrated reporting.

The work of IIRC intensified so that in November 2012 the first prototype of an information grid to account was born. This was the first approach to the reporting of corporate social responsibility and other factors that affect the performance of the business to financial and non-financial areas. It had implied a form of voluntary reporting to stakeholders and created a basis of information to add value to the shareholder which includes: organizational overview and business model; operating context, including risks and opportunities; strategic objectives and strategies to achieve those objectives; governance and remuneration; performance; and future outlook (Lodhia, 2015).

In April of 2013 the draft for consultation in order to receive contributions is presented to improve the transparency, accuracy and comparison of information. With different contributions it appears in December of 2013 the latest version and the final document of what is the structure of the integrated report. In this structure the IIRC (2013th) did not establish indicators or metrics, because this is another step in the advancement of integrated reporting. At the time it was defined a set of six capitals forming the main business reporting component (Table 1). However, the organizations depend on different forms of capital for their success. The capital of the IIRC they work as a value fund that can increase or decrease with the development of business, and each relates to a specific function allocated to corporate business. The capitals are financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital (Morros, 2016) (Table 1). The first three are typical but the others were not common to see on balance sheet, and until 2013 each firm has different kinds of classification for individual capital but now they have to take into account the same set of factors.

The integrated reporting stills in developing stages and until now has no real complete framework to guide such reporting (Lodhia, 2015). Recently integrated reporting incorporates additional information about climate change, to feed markets and inform about decision-making and policy-formulation by institutions (Carney, 2016). At the moment there is only guiding principles presented in the framework (Morros, 2016), in my opinion one reason is because the reporting process is still voluntary. The guiding principles are (Morros, 2016, 345-346):

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparison

In this framework we can find three important concepts: the value creation process, the capitals, and the value creation for the organization and the others (Morros, 2016). The value creation basis on capitals and each one indicates the growing process of organization, and it shows how firms interact with the external environment and that depends on how firms use their capital (Jhunjhunwala, 2014).

The framework shows that financial information is critical but not sufficient, it has a focus on development of business and provide to all, especially to financial markets the value of the form and the value of intangibles (Ighian, 2015). The Association of Chartered Certified Accountants discovers after the global economic crisis started in 2008 that investors expect more transparency in reporting (Ighian, 2015). The professionals of finance are reluctant at the moment to develop integrating reporting and they defend their use in the near future (Ighian, 2015). I believe that a period of transition must exist and during this time it should be provided adequate and multiple formation for the professionals to encourage them to do integrated reporting and to facilitate their use in all type of companies. We

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mustn't forget the importance of professionals in the mission of disseminating the elaboration of integrated reporting.

As we know integrated reporting gives a different perspective on future developments (Oprisor, 2015), and until now there is a large group of companies that prepared their accounts using integrated reporting since 2011 (Dumitru & Jinga, 2015). Firms like Nordisk, Sony, Hyundai engineering, etc. are a small example (Seele, 2016). In addition, stills increasing much more than other places in countries like South Africa where this type of reporting is compulsory for listed companies (Chersan, 2015).

The opposite flow presents defenders as Ioana and Adriana (2014) who understand that very few companies have implemented so far, the integrated reporting as informative reporting process. One was the National Bank of Australia since 2010. This institution presents an integrated reporting in different parameters of the principles of the IIRC, which means that integrate the pilot project of its design. Other companies such as Fuji Xerox, Royal Bank of Scotland Group, Nokia Corporation, L'Oreal, Nestle, McDonald's, Coca-Cola, Vodafone, Mercedes-Benz, Fiat, are other examples.

2.3. CONTENTS OF INTEGRATED REPORTING

To Druckman (2013) integrated reporting is not just another type of report, but rather an evolution in the way of reporting. Whitehouse (2013) argues that integrated reporting is the next step in business reporting. This is an important step forward in the evolution of business information and called the future of the foundation, so it requires an international structure for it to work properly (Adams, 2014; Bakker, 2013). To Tomé (2014) comes as a complement to the sustainability reporting, aiming to promote the improvement of information and filling gaps on the financial accounting such as sustainability reports. This form of reporting is to respond to reporting limitations, avoiding mismatches storms in the information provided, and false decision-making, moving beyond, as it aims to provide a concise communication of insight into the global value creation (Druckman, 2013; Bakker, 2013). To Tomé (2014) integrated reporting focuses on outputs of Corporate Social Responsibility - CSR, carried out in sustainability reports and social and environmental information included some intangibles. The authors Tomé and Meira (2014, 11) argue that with the integrated reporting stimulates innovation in business reporting and develops the integration and connectivity of information (in six capitals) away from the large, rambling and static reporting.

The contents of each capital included in integrated reporting are descripted in table 1. Looking at all capitals appears to be evidence that they are not all relevant or appropriate to all companies. It doesn't mean that these forms of capital do not have a relationship or interaction, but such relationship or interaction with the business can be so small in specific cases, like the reality of micro and small firms in Portugal, that its impact on the accounts does not produce any meaning. Also it is important to assess the cost benefit in the preparation of such information particularly in small and micro enterprises. For other companies it is clear that the six capitals ensure the reporting of information on the internal and external environment.

Table 1 - Capital of integrated reporting

capitals	Content	Comments
Financial	It is a set of features that are available in the company to be used in the production of goods or the provision of services. It is obtained in the form of funding or derived from investments.	Tangible Fixed Assets
Manufacture	It consists of manufactured natural physical objects which are available in the company for use in the production of goods or the provision of services, for example: buildings, equipment, and infrastructure (such as roads, ports, bridges and plants for waste water treatment and potable water).	Tangible Fixed Assets

	The set of manufactured capital elements are the assets for sale or held to support the normal operation of the company.	
Intellectual and Organizational	This includes organizational intangibles that are based on knowledge. This intellectual capital includes elements such as patents, copyrights, software, rights and licenses. In organizational capital organizational intangibles include those which are based on the tactical knowledge, systems or procedures and protocol.	Intangible assets
Natural	It includes renewable and non-renewable environmental resources and environmental processes that provide goods or services that support prosperity past, present and future of an organization. These are resources such as water, land, minerals, forests, biodiversity and ecosystem quality.	Intangible assets
Human	Focuses on human resources of the organization and verifies the skills, abilities and experience of the people and their motivations to innovate. Certifies that human resources are aligned with the structure and the company's government supports in conflict management and other occupational hazards, encourages ethics, encourages the understanding, loyalty and motivation for progression employee making him feel part of the company's strategy implementation and fosters leadership, management and cooperation.	Intangible assets
Social and Relational	This Capital is perhaps the most complex and comprehensive of all. It implies a web of links between business and relationships within and between the communities in which it operates stakeholder groups and other sharing networks to achieve individual well-being and collective. This form of capital includes shared standards such as common values and behaviors, relationships with key stakeholders, trust and commitment that the company develops and seeks to build and protect with stakeholders, intangibles associated with the brand and the developed reputation license social work for the company, etc.	Intangible assets

In: www.theiirc.org.

The purpose of this structure and contents of integrated reporting is to provide in a single piece of information two strands of reporting: financial and sustainability reporting (Lodhia, 2015), with more information than the sustainability reporting as one. Lodhia (2015) recognizes that the sustainability reporting has critical elements like social and environmental aspects that must be communicated effectively to stakeholders. For Barkemeyer, Stringer, Hollins and Josephi (2015) the sustainability reporting incorporates elements such as demonstrations on intellectual capital, corporate strategies, and activities for value creation and sustainability of business operations, corporate governance, social and environment elements, that can affect the image, performance and the development of business.

As evidence of greater information is known that the principles established by the IIRC in integrated reporting are flexible to adapt to different economic realities, they not impose specific indicators for measurement or disclosure of information (Tomé & Meira, 2014, 11). Incidentally Tomé (2014, 31) noted that in this situation there is a problem with the measurement and trouble of creating indicators that quantify the evaluation of the performance and sustainability of companies. Some indicators or Key Performance Indicators - KPI are developed by GRI and applied in integrated reporting like employee turnover, energy efficiency, media coverage, brand and customer relationships (http://www.ey.com/Publication/vwLUAssets/EY-Integrated-reporting/$FILE/EY-Integrated-reporting.pdf).

The integrated account is not subject to very narrow rules or requires the existence of audits (Whitehouse, 2013). For Thomson (2014) the integrated reporting is looking through sustainable accounting a practical presentation of hybrid accounts, in that it presents special characteristics for accounting such as quantitative robustness, joint evidence, relevance, materiality, comparability, reliability, security, and seeks to transform sustainable in a speech understandable and intelligible language in the organization for decision makers.

The lack of mandatory, supervisory, very clear lines of measurement and disclosure may endanger the utility, comparison, relevance, reliability and other features that the business information should be provided to its users. Following this line of thought Thomson (2014) argues that the integrated account must have a true language and structure, mandatory, plausible, understandable and reliable. Using a standardized taxonomy is one way to reach consistency and comparison and connectivity of information and it goes beyond (Seele, 2016).

To solve the problem of language the Spanish Association of Accounting and Administration of Companies - AECA developed a taxonomy known as Extensible Business Reporting Language - XBRL (Bonson and Bednárová, 2014). The use of this taxonomy will facilitate comparison between companies, increase the transparency of information and improve knowledge within Corporate Social Responsibility under IIRC requirements (Bonson and Bednárová, 2014). This taxonomy was internationally recognized in December 2007 with the Taxonomy name to Corporate Social Responsibility. In June of 2010 it has been improved and itsname suffered a Scorecard addition to Taxonomy for Corporate Social Responsibility. In April 2013 came the latest version so far known by Integrated Scorecard Taxonomy (Bonson and Bednárová, 2014).

The good and the bad thing of XBRL is that: it helps to organize comprehension information but the reporting process can have high costs of developing data standards (Seele, 2016).

In addition to a universally accepted taxonomy, AECA also proposed a list of Key Performance Indicators - KPI to include the information on the financial, social and environmental context. The KPI frame and the generic strategic objectives of AECA are (http://aeca.es/old/es/fr/gaap/csr/2012/IS_Taxonomy__Strategy_KRI_KPI_Frame-en___template.pdf):

1. Financial
   - Economic efficiency
2. Environmental
   - Energy efficiency and emissions
   - Waste management efficiency
3. Social
   - Human Capital
   - Social Capital
4. Corporative Governance
   - Fair governance

These indicators were inspired by metrics already created by different organizations and institutions such as the case of AA 1000, Domini 400, EIRIS, EMAS, FTSE 4 Good Index, ISO 9000 and 14001, Caux Round Table Principles, Ethical Trading Initiative, Global Compact, SA 8000 and the GRI, the latter coming force in 2015 to an adjustment to GRI4 (Bonson and Bednárová, 2014).

However, there are authors who do not accept any of the metrics of the bodies mentioned above as the case of Hahn and Kühnen (2013) who advocate as a measure the perspective of Triple Bottom Line - TBL.

2.4. Arguments in favor or against integrated reporting (benefits and disadvantages)

Until now it is still a universal consensus regarding the use of integrated reporting but not 100% about its form of communication of information. Flower (2014) states that although with the integrated reporting the information form is an integrated history of the company's business reported a short time in this story or information does not meet all

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defense investigators for their use culminating in criticizing their use.

For Barkemeyer, Stringer, Hollins and Josephi (2015) the use of integrated reporting, refers to a set of benefits with its use such as being a form of cross-reporting to the company and its surroundings, get to the same reduction of complexity, identifying opportunities to streamline the reporting process, meeting the needs of stakeholders and integrating all the information on an annual magazine that will become the main source of information for stakeholders and shareholders. The same current (Rensburg and Botha, 2014; Garcia-Sanchez, Rodríguez-Ariza and Frías-Aceituno, 2013; Bonson and Bednárová, 2014; Hrebícek, Soukopová and Trenz, 2014; Hahn and Kühnen, 2013) point out that the integrated account presents numerous advantages for preparers and users of information. Some of the advantages of this innovative form of reporting are: elevates the importance of transparency, allows more and better information on intangibles, controls the need for the voluntary reporting information, creates visibility and knowledge of the company and business, offers different perspectives to assess organizational practices, ensures the development of an integrated organizational thinking, etc. The advantages pointed in this form of reporting is linked to multinational companies and listed companies. For Vasconcelos (2010) integrated reporting facilitates the optimization of synergies and maximizes investments, providing impact on credibility and sustainability.

Also on an opposite stream to use the integrated report authors like Flower (2014) and Adams (2014) understand that its use is no solution, because the accounting needs to be further developed and the sustainability report already provides information on the social context and environmental. The fact that volunteering does not help had to be mandatory and have more regulatory support. The author Flower (2014) adds that the proposal of the IIRC will have little impact in terms of business information report. This perspective can be overcome with an improvement in the metrics used and the use of an audit more surgical accounts in order to condition the use of inflated information on the following matters: human capital, social and environmental.

Another segment of opinion arise authors with a neutral position against the use of this form of reporting. Among other highlights the example of Thomson (2014) that highpoints the unpredictability of the impact of the integrated view of the connection of this account with the social, environmental accounting, the GRI, the business report, etc. and yet, given the lack of mandatory regulations and the same.

These different streams of thought can understand that the use of integrated reporting may be limited by the measure used and the structure outlined by the IIRC. Nevertheless, the real advantages and disadvantages in their use, which can give the reason listed schools of thought can only be verified with your practice. So the best judgment will come in time.

With a positive position to integrated reporting Morros (2016), believed that there are some gaps that can interfere with the understanding of developing the integrated reporting and should be extinguished:

- Any value to the firm has to be measure in monetary terms.
- Predate the complexity of globalized business environment.
- Predominance of leaders who lack a moral compass and hence authenticity.
- Etc.

Also in favor of integrated reporting is its popularity gained in the last years, and the most comments through it are focused on regulatory perspective (Oprisor, 2015). The IIRC has been a good promoter of integrated reporting and it becomes useful to develop its framework (Oprisor, 2015). The framework is the bigger advantage of the success of integrated reporting, but there are more. A several number of researchers indicate some of them. As a resumé the main benefits of the integrated reporting for Morros (2016) are:

- Transforming decision-making process in a way that aligns benedicts to business, society and the environment.
- Better risk identification and mitigation.
- Emphasizing the need for long term planning.
- Encourage thinking about business model in much boarder terms than flows of money.
- Focusing on creating value across all six capitals.
- Developing a culture of collaboration, breaking down silos.
- Getting seniors executives and the board involved in considering all issues.

For Seele (2016) the major benefits are:

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- Contributions to business as well as sustainability goals.
- Internal and external welfares.
- Managing regulatory risks.
- Including financial professionals in the task of making the framework of integrated reporting.

Ighian (2015) has the opinion that the great benefits are:

- The competitive advantage by providing an image of sustainability enterprise.
- Providing complete and transparent in reporting activity.
- Ability to improve management to achieve opportunities and diminish risks.
- Possibility to identify the factors that lead to a successful performance.
- Improve relationships with investors.

As we see the advantages are very important to the increasing form of integrated reporting, but still there are some disadvantages. The most common found in the most recent literature are related to (Morros, 2016):

- Accurate the real impact on business by the extension of it.
- Distinguish better integrated reporting than others integrated reporting.
- The integrated reporting is truly integrated in management control systems?
- Better metrics in some integrated reporting than others.
- Perceived the better metrics that influence the markets or create more value for firms.
- Some of the IIRC requirements aren't conflictual with the interest of firms' management.
- The convergence between the international standards of IASB and the new form of reporting.

I believed that we can complement these ones with personal understandings:

- The fact that it is voluntary.
- The costs of doing it and all other compulsory information.
- The balance between social responsibility and reliability of information.
- The measures used for some items.
- The recognition and notes that can explain the treatment to each item.

After all these disadvantages the importance of improving the integrated reporting is the most imperative mission of IIRC for the future.

3. CONCLUSION

We need a change in the way that we present information about corporations. Now is the time to adjust the new challenges to a new era, where the most hybrid and unstable elements seem to be the most important to include in reporting. As a result, the markets seem to like it, because it informs in a complete way. Financial reporting is no longer a better tool to observe all items that interfere with the corporation value and performance. It seems to exist a better solution called integrated reporting.

A few years ago people all over the world began to speak in integrated reporting and the concept quickly spread everywhere. It looks like a business myth that everyone talks about but does not always seem to know its particulars. In general, the opinions regarding their use are many and favorable, perhaps because it makes perfect sense agglutination of information between financial and non-financial component. It is noteworthy that the financial forever mandatory has a rich history in regulations, structured maps for this purpose and unquestionable metrics. Not like this with the human character information, social and environmental, that have always faced problems in terms of recognition, measurement and reporting. Nevertheless, these problems have not limited their discussion and the perception of business value that is not reflected in the financial statements made. Thus over the years' various reports emerged as the CSR report, sustainability, environmental, social environmental, among others to the present day where it discusses the integrated reporting. Your name is not derived from a sum of information, but an integration into a single map information of different natures. The dissimilarities between the reporting elements are important to communicate through integrated reporting the correlation between these elements and their impact on business performance. This correlation depends on top management of business decisions and, therefore, the evolution of enterprise information communication is an evolutionary step. No longer exclusively in the hands of the professionals and other stakeholders in preparing, reading and verifying information to incorporate vision of contributions and business strategy. Thus the integrated report appears as a new level to achieve in the coming years. The cycle of businesses will break the use of information to achieve power and economic and social status in society to relearn to become part of the competitive environment in which they live, that is, if they accept to adapt to the interdependencies increasingly explicit between society and economic actors. The aim is to overcome the coldness of numbers and concentrated period in the short term to be a greater focus on strategy, business model and value creation with which to assess the evolution of the business in the long term.

The integrated reporting was created not only to adequate the corporate disclosures but to give business their adjustment to the future society.

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