THE EMERGENCE OF INTEGRATED REPORTING

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ABSTRACT

The International Integrated Reporting Council (IIRC) has recently been inaugurated as the focus for efforts to develop and diffuse a framework for integrated reporting. This paper traces the development of the concept of integrated reporting and the IIRC as socially constructed and emergent at the intersection of diverse action nets (Czarniawska, 2004; Monteiro, 2001; Nicolini et al., 2012). Perspectives from prior research on voluntary standard setting are used to frame the analysis of interviews with key individuals in the project, documents and integrated reports (Bonaccorsi & Rossi, 2003; Ciborra & Hanseth, 1998; Suarez, 2004). The motivation of GRI and A4S to sponsor yet another group in the already densely populated domain is linked to the need to create momentum around integrated reporting because of the failure of earlier attempts to engage effectively with companies, investors and regulators.

This imperative, however, creates tensions for the IIRC as it seeks to balance the interests of a range of interest groups around the 'simplification' of reports story that appeals to corporates, investors and regulators. A related issue is the decision to characterise the user of integrated reports as a long-term 'enlightened' shareholder. This facilitates short-term progress on the framework but may destabilise the IIRC project unless stakeholder interests can be persuaded that this is necessary and only a temporary detour.

We conclude that given that examples of integrated reports reflect a low level of agreement on these central themes the IIRC has significant work ahead to maintain its momentum. It must find a position in relation to corporate reporting that reflects the diverse interests currently enrolled in the project and carefully distinguish integrated reporting from the existing management discussion and analysis. The decisions made now for short-term expediency will irrevocably shape interactive reporting for the future.

1. Introduction

'Integrated reports' that combine financial reporting and sustainability/CSR/ESG reporting[1] to some degree have been produced since 2002 (see Eccles & Krzus, 2010) although great diversity exists in their nature, size, motivation and intended audience. Although introduced in a national setting in South Africa by the King III principles, the still emerging concept of integrated reporting generated excitement on a more diverse and international stage at a roundtable in 2009 and the Integrated Reporting Committee was set up in August 2010. The Committee, formed by Accounting for Sustainability (A4S) and the Global Reporting Initiative (GRI), announced its transition to a Council (IIRC) incorporated as a not-for-profit company in the UK in November 2011 (IIRC, 2011a). The rapid development of the organization, the outputs and the diverse support for the IIRC, raise questions about its potential impact on the future of corporate reporting.

The speed of initial development of the IIRC and its vision for integrated reporting are particularly interesting given the otherwise slow development of the movement to a broader corporate reporting model. Many commentators have called for a wider array of financial and non-financial information to aid decision making (for example, AICPA, 1994; DiPiazza et. al, 2006; ACCA 2012). Since the 1992 United Nations Conference on Environment and Development (UNCED) developed the concept of sustainable development as a public policy goal and called for non-state actors to participate, a large number of different non-statutory corporate reporting CSR/sustainability/ESG standards have come into existence (Bendell et al., 2011). In the absence of disclosure regulations, the interest in alternative forms of reporting has triggered a commensurate growth in non-state bodies providing guidance and standards. For example, reporting guidelines and standards have

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[1] IFAC (2012: 8) note that, "various labels are given to what are essentially non-financial performance drivers of an organization, for example, sustainability, CSR, non-financial factors, and extra-financial factors…The term ESG has emerged, primarily in the investment community, to describe the environmental, social, and governance issues that investors are considering in the context of corporate behaviour and performance, and which they might consider in their investment decisions".

been developed by the GRI, A4S, the World Intellectual Capital Initiative, the Enhanced Business Reporting Consortium, the Carbon Disclosure Project, the International Corporate Governance Network, ValueReporting and the Climate Disclosure Standards Board. Despite recent consolidation of global frameworks (Haack et al., 2012), there remains much duplication (Bendell et al., 2011). "There are different groups of non-financial standard setters which are essentially competing with each other" (Tomorrow's Company, 2011:19).

Integrated reporting is positioned as a consolidating solution. It is generally understood as a means to present a more holistic view of corporate performance activity combining previously separate elements of corporate reporting such as the sustainability/CSR report and the annual report, and to communicate that information in a clearer, less complex, more material way. However, the meaning of integrated reporting has not yet stabilized. For example, it "could range from the maintenance of IFRS with some environmental and other bolt-ons, right up to a fundamental overhaul of corporate reporting" (Quick, 2011: 3). For others it is a process rather than a reporting document and this dynamic relationship between sign and signifier has been recognised by those promoting its implementation (see IIRC, 2012a).

This paper draws on prior research conducted on private standard setters in the communications domain to analyse the interviews and documentary evidence of pressures on the IIRC as it seeks to garner support and resources in a field already populated with organisations. We explore the observable effects on the emerging understanding of integrated reporting and draw conclusions about the directions and challenges facing the project in the medium term.

The next two sections describe the theoretical framework and methodology including a description of the data. The analysis is then reported in two sections. The first of these reports on integrated reporting as a construct emerging from the antecedent developments and highlights the importance of the timing of the initiative. Then the tensions and affordances in the IIRC project are identified and analysed. Finally, the impacts of these pressures on the IIRC's conception of integrated reporting are then are discussed and conclusions drawn.

2. Theoretical Approach

The perspective adopted in this paper is that frameworks, such as those prepared by GRI and the IIRC, are resources organisations deploy in the preparation of voluntary reporting to external parties. These resources are considered to be technological objects that are socially constructed, emergent and part of a network of actors (Lash, 2001; Latour, 1987; Monteiro, 2001; Nicolini et al., 2012). Frameworks and standards are evolving, and to some extent flexible, technical objects in a network of human and non-human actors and are shaped in response to the need to make affordances to translate the interests of different actors into the project (Latour, 1992). As a standard emerges and becomes part of the infrastructure of reporting, it disciplines reporting outcomes and shapes practice (Latour, 1988). An important element of understanding a standard, particularly before it becomes stable and is still a matter of contention, is to trace its network of actors and actants (Latour, 1987). We analyse the groups of people and the pre-existing standards and frameworks out of which integrated reporting has been assembled, against which it is compared and from which it must distinguish itself.

The focus of this paper is on <IR>, as it has been 'branded', in the process of its development by the IIRC. It is a voluntary reporting framework, intended to guide practice and achieve improved international communication about the long term performance and sustainability of organisations (IIRC, 2012b). It has much in common with other voluntary communication and reporting standards and in this paper we analyse the issues facing the network of constituents in the IIRC as it constructs <IR> by building on the knowledge and experience gained through research in other similar settings.

Standards exist to protect interests (e.g. product safety), to enable comparative judgements (e.g. food weight) and to enable the co-ordination of actions (e.g. driving) (Baylin et al., 1996; David, 1985; David & Greenstein, 1990). The IIRC has styled its work as being about developing a framework for integrated reporting and has claimed not to be a standard setter. However, this may be simply a matter of terminology or indeed ideology or rhetoric. If the ultimate aim is to create an over-arching framework for an international, single, integrated report to enable comparative judgements (IIRC & IFAC, 2011) the 'framework' has the character of a standard and must achieve standardisation of practice to succeed.

The conditions surrounding the need for accepted standardisation have been developed in the domain of ICT standards and economics (Garud & Kumaraswamy, 1993; Katz & Shapiro, 1985; Stango, 2004). Research shows that the value and viability of a standard for communication in a network, its 'network externality', depends on the number of participants in the network (Suarez, 2004; Weitzel et al., 2006). That is, the greater the standardisation of practice around a particular method, technology or framework the more users are drawn to it until it achieves a critical mass of adoptions that enables it to be self-sustaining at least until a contender grows strong enough to challenge the dominant standard (Bonaccorsi & Rossi, 2003; Shapiro & Varian, 1999). If the perceived advantages of a standard generate sufficient adoption, it becomes difficult to displace due to the switching costs involved in learning and implementing an alternative standard and the negative network externality associated with any less widely used standard (Ciborra & Hanseth, 1998; Hail et al., 2010; Suarez, 2004).

Once a framework or standard is dominant it becomes a stable, 'taken for granted' element of the infrastructure of reporting (Cooper & Robson, 2006; Hanseth & Monteiro, 1997; Latour, 1987). The universality of a standard is an acquired quality, rather than a transcendent trait and is acquired from binding heterogeneous elements together in a tightly coupled network (Hanseth & Braa, 2001). The expert knowledge inscribed into a standard is local and situated within its social and political context. If accepted as part of the technical infrastructure (Bowker & Star, 1999), that local context loses visibility (it becomes 'black boxed'), but if it does not succeed, the local context is reintroduced (Hanseth & Braa, 2001).

Corporate reporting and information standards are not neutral due to their ability to provide visibility, prioritise aspects of organisational activity and generate economic consequences (Chapman et al., 2009; Hines, 1988; Perry & Nölke, 2006). Different corporate reporting frameworks will capture different organisational views and will therefore support or inhibit different interests. Furthermore, adopting one voluntary corporate reporting standard can potentially inhibit future experimentation and innovation.

In the current environment of an increasing interest in integrated reporting there are a number of voluntary standards, each of which incorporates the interests of a particular group or set of groups, none of which have achieved dominance. The network externality problem means that there is pressure on each group backing a standard to compete for adoption and acceptance to secure support from individual experts, companies, governments and other voluntary bodies (de Vries et al., 2008). The greater number of bodies operating in a single domain, the more dissipated these resources are, the harder it is for a standard to remain viable. There are significant pressures on such organisations to achieve dominance to attract reliable resources and create switching cost barriers to competitor standards. In the analysis that follows we use this first imperative of voluntary standards in a network setting as a lens through which to analyse the development of the <IR> network.

The second imperative is the pressure on voluntary standards to achieve regulator recognition or to become mandatory. This effectively short-circuits the competition and achieves dominance for the regulator-backed standard by gaining the support of a relatively few adopters – that is regulators with legislative power. International Financial Reporting Standards are an example of how mandatory regulatory requirements can transform the stature and legitimacy of a private standard setter (Chua & Taylor, 2008; Zeff, 2012). The mandatory use of XBRL in a growing number of national jurisdictions shows that a standard that was struggling to achieve adoptions can be significantly boosted by regulator intervention (Guilloux et al., 2012; Locke et al., 2010; Troshani & Lymer, 2010). The 'outsourcing' of standard setting to private bodies is contentious and raises issues about how regulators choose to adopt one standard over another and the control the regulator can achieve over the standard setter (Camp & Vincent, 2004; Chiapello & Medjad, 2009).

The focus of the paper is to understand the process by which socio-technical networks representing an alignment of interests are created and stabilised, or why they fail to be established in the corporate reporting community. The analysis tracks how the solutions offered by independent actors aligning with different but intersecting action nets (Czarniawska, 2004) which are mediated as they move around the networks (Hanseth et al., 2006). The recent emergence of the <IR> project means that the analysis is undertaken whilst the contentions are happening and interviewees are not re-constructing and rationalising past actions in the light of outcomes. The paper considers how the meaning and practice of <IR> may become established through discursive processes to uncover the inter-subjectivity of meaning (Haack et al., 2012). In doing so, the paper identifies prior 'integrated' reporting standards that remain temporary fads that did not develop an enduring foundation (Haack et al., 2012) and demonstrates how actors from different reporting networks have formed a fragile alliance around the IIRC in pursuit of mutual advantage.

3. Methodology

The interpretive approach used in this paper traces those networks that came together to introduce and promote the integrated reporting concept and examines their development over time. The development of integrated reporting is analysed without making prior assumptions about causal conditions within networks, preconceptions about institutions or the accuracy of stated intentions. It analyses publications on 'integrated reporting' and distinguishes social groups by looking for actors who describe and view integrated reporting in the same way (see Bijker, 2010).

The analysis covers the antecedent networks to the release of the draft prototype framework on 26 November 2012 by the IIRC. Primary evidence is collected through semi-structured interviews with participants involved in setting or using standards[2] (conducted between May 2012 and February 2013), and is augmented by participant observation in an international standardisation organisation between 2008 and 2012. As part of conditions of data access and ethical review, only the generalised roles and institutions of interviewees are disclosed in Table 1.

Table 1: Interview Participants

Institution	**Role(s)**	**Designation**
Voluntary Reporting Standard Setter	CEO	A
Multinational Preparer / Voluntary Reporting Standard Setter	Director / Member	B
Multinational Accounting Firm / Accounting Standard Setter	Head of Standards / Member	C
Voluntary Reporting Standard Setter / Technical Standard Setter	Member / Member	D
International Investor Relations Organisation / Technical Standard Setter	CEO / Former Head	E
Multinational Preparer	Head of CSR	F
Voluntary Reporting Standard Setter / Technical Standard Setter	Member / Member	G

[2] Although one third of the interviewees are IIRC Board members, they were not speaking on behalf of the IIRC.

International Investor Relations Organisation	CEO	H
Multinational Preparer	Head of Group Reporting & Accounting	I
International Professional Body and Standard Setter / Voluntary Reporting Standard Setter	CEO / Member	J

Networks are also traced through the publications, Websites, presentations and press releases of constituent actors. Finally, all 2012 corporate reports presented by the IIRC on the Emerging Integrated Reports Database by the end of 2012 are analysed.

The next section describes the processes by which actors seek to secure their interests by forming, configuring networks and alliances by inscribing their interests into objects and translating those inscriptions through a network.

4. Integrated reporting - an emerging construct

Integrated reporting was first used as a framing concept long after the domain of alternative reporting was already heavily populated with voluntary standard setting bodies and frameworks for CSR, ESG and 'value reporting'. To be viable as a voluntary standard such bodies must generate sufficient interest and support among stakeholders to provide resources and most importantly instances of the application of their framework to demonstrate its practicality and usefulness (Bonaccorsi & Rossi, 2003; Weitzel et al., 2006). The greater the number of competing bodies, the harder it is to gain a critical mass of support. Experience from information communication technologies suggests that if a standard does not attain dominance through spontaneous widespread adoption ('de facto' standardisation) then the best strategy is likely to be the achievement of mandatory adoption by appealing to regulators ('de jure' standardisation; Suarez, 2004) to become a 'private standard setter' (Porter, 2005). The experience of the IFRS Foundation and XBRL International suggests that this does not necessarily alleviate the resource problems but it does secure the organisation's position against rivals (Bruce, 2011; Chua & Taylor, 2008).

Given the tensions inherent in existing as a voluntary standard setting body and the large number of groups in the voluntary corporate reporting 'space', this paper argues that 'integrated reporting' is not best understood as an 'ideal solution'. It is more useful to examine it as a construct that is emerging as a product of the pressures and constraints of the actors and the institutional setting in which there is competition for survival and dominance. Out of the contested space for voluntary corporate reporting, the IIRC has only very recently formed to take the fledgling concept of integrated reporting into the international sphere. The remainder of this section is divided into a discussion of the antecedent conditions to the formation of IIRC by investigating the two member bodies central to its formation, the GRI and A4S, and tracing the reporting practices and regulatory initiatives that culminated in the King III principles.

4.1 The Member Bodies – Antecedent Issues

The GRI was developed by the Coalition for Environmentally Responsible Economies (CERES) to gain widespread acceptance of a sustainability orientated narrative reporting framework (GRI, 2012). Named after the 'Sullivan Principles' that sought to influence the behaviour of companies interacting with South Africa in 1977, the 1989 CERES Principles sought to get companies and investors to adhere to socially responsible codes of conduct. CERES advisors, Allen White and Robert Massie, perceived that the proliferation of voluntary reporting systems in the mid-1990's allowed reporters to choose those that put them in the best light and conceived the idea of the GRI as an all-encompassing framework to prevent this 'cherry-picking' (Brown et al., 2009).

The GRI framework was explicitly directed at providing information for stakeholders, broadly defined and was initially focused on environmental reporting (GRI, 2012). A proposal from a 1998 working group saw it expand its scope to include the social and economic elements of triple bottom line reporting as conceptualised by Elkington (Brown et al., 2009). The first version of the guidelines was released in June 2000, and the second version, G2, was released in August 2002, along with sector supplements. A third version, G3, was released in 2006, with a revision occurring in 2011.

Brown et al., (2009) claim that the founders of the GRI were successful in enrolling different stakeholder groups by presenting the GRI as a friendly, voluntary alternative to Government regulation at a time when public discourse about the respective roles of businesses and government in responding to concerns about environmental degradation and sustainable development were intense.

However, the success of the GRI in creating an inclusive, participatory network of multi-stakeholder actors arguably left it with unresolved ideological tensions (see Brown et al., 2009). For example, in identifying the primary audience for the reports, the CERES principles were specifically aimed at the investor whilst the GRI guidelines adopted a broader stakeholder approach (GRI, 2012). Although the GRI became the voluntary stakeholder-centric standard for sustainability or CSR reporting, it was not fully accepted by the investment community and was argued to be captive of certain stakeholder groups (see Eccles & Krzus, 2010).

As a response, the GRI sought to position itself in the 'middle ground' as a voluntary reporting framework with sector supplements that would satisfy the needs of all users, both the investment community and wider stakeholders. This shift to a more investor-friendly focus is evident in GRI publications from 2009. For example, in their guide, Reaching Investors, the GRI note that "many companies struggle with how to most effectively communicate their performance to investors so that it can be understood and integrated into their decisions" (GRI, 2009: 4). They also note that, "organizations have to communicate about their ESG performance and their business performance in an integrated manner” (GRI, 2009: 4). The latest update to the GRI guidelines, G4, (expected 2013) specifically uses the investor-centric ‘ESG’ terminology rather than the language of sustainability employed in earlier versions of the GRI guidelines.

Despite this attempt and the GRI’s position as a widely respected, accepted and used ‘stakeholder reporting’ standard, its network of support did not achieve dominance as the investor-focused ESG standard setter.

> GRI, I think, had gained quite a significant momentum but it was not covering the same field, it was like you had financial reporting and then you had reporting, according to the GRI which was alongside the financial reporting rather than seeking to bring it together and make it a single framework for corporate or business reporting. (Interviewee J)

Another key factor in the weakening position of the GRI was that while demand for ESG information from professional investors and analysts had increased (Solomon & Solomon, 2006; Campbell & Slack, 2011), they generally relied on existing information intermediaries (e.g. Thomson Reuters ASSET4, Bloomberg) rather than GRI-based reports. Because the GRI failed to win widespread adoption amongst the investment community, space was left for other standardising bodies. For example; the World Intellectual Capital Initiative (WICI), the Enhanced Business Reporting Consortium, the International Corporate Governance Network, the International Standards Organisation, the Climate Disclosure Standards Board ValueReporting and Accounting for Sustainability (A4S).

A4S was a British framework created in 2004 under the patronage of the Prince of Wales. “A4S felt that the [accounting] profession’s best contribution to sustainability would be to establish a global framework of mandatory connected reporting requirements for listed companies and for a global committee of key stakeholder groups to push for global adoption” (Stevenson, 2011:11-12). Its ‘Connected Reporting’ framework was designed to integrate financial, narrative and sustainability reporting information (Druckman & Fries, 2010). The underlying principle of 'Connected Reporting' was that ESG reporting had to be linked to strategy, risk assessment and organisational performance if it were to be meaningful (see FEE, 2011). In contrast to the GRI approach, the target audience was investors and the focus was not on reporting but on the processes involved in organisations achieving sustainability.

A4S's Connected Reporting framework was based on prior voluntary reporting initiatives such as the 1994 AICPA 'Jenkins Committee' which had influenced the 'ValueReporting' project instigated by PwC in the 1990s (see Eccles et al., 2001). ValueReporting surveyed and identified financial and non-financial information KPIs demanded by investors. A similar reporting approach was adopted by the AICPA Special Committee on Enhanced Business Reporting in 2003 and the Connected Reporting framework although the latter gave more consideration to ESG factors (Eccles & Krzus, 2010).

> the Jenkins committee…was my first sortie into trying to change business reporting and the AICPA, as a follow up to that, started the Special Committee on Enhanced Business Reporting and I was a committee member on that and it turned into the EBRC which was part of WICI and then the integrated reporting efforts took off (Interviewee B)

Despite the patronage of the Prince of Wales, the British A4S 'brand' failed to gain prominence internationally and did not populate the space available for an internationally accepted ESG voluntary reporting framework. However, A4S used the interest aroused by several regulatory initiatives during 2009-2010 to rebrand the Connected Reporting around integrated reporting.

4.2 Integrated Reporting – An Idea Whose Time Had Come

Over the period from 2002 to 2010 integrated reporting, as a concept, developed from a very small number of attempted implementations to inclusion in national regulation and institutionalisation in an incorporated body.

Several companies, most notably Novozymes, had been gradually integrating their financial and sustainability disclosures since 2002 (for example, see Eccles & Krzus, 2010). Over time, this was accompanied by increasing regulatory interest as evidenced by initiatives investigating which voluntary ESG frameworks might be suitable for mandatory adoption. For example, in the USA, the Social Investment Forum (SIF) was asked by the SEC to frame what mandatory ESG information should look like (SIF, 2009). In Europe, the European Commission (EC) organised a set of workshops investigating policy approaches to ESG disclosure in 2009 and 2010 at which many of those involved in the formation of the IIRC considered the possibility of new regulation, principles and KPIs (European Commission, 2010; 2009).

In South Africa, the King III corporate governance principles formally introduced the term 'integrated reporting' in September 2009 as a re-conception of the triple bottom line (Institute of Directors in Southern Africa, 2012). The King committee whose remit had been to develop modern corporate governance principles for a post-apartheid South Africa, led by retired high court judge Mervyn King, had accepted that earlier King II guidelines requiring separately disclosed sustainability and financial reporting information were misconceived. King III principle 9.2 sought to 'integrate' financial reporting with environmental, social and governance reporting and thereby demonstrate the impact of the organisation on economic, environmental and social spheres (Institute of Directors in Southern Africa, 2012).

The Johannesburg Stock Exchange commenced a voluntary filing program to apply the King III recommendations in 2010 and mandated the principles as part of its listing requirements on a comply or explain basis for year ends post 1 March 2010 (IRC of South

Africa, 2011). To facilitate the application of the King III principles, the Integrated Reporting Committee (of South Africa) was formed under the chairmanship of King in May 2010 (Institute of Directors in Southern Africa, 2012). The approach of the King III principles was to focus on the substance of integrated thinking as strategy or process rather than the form of an integrated report (Institute of Directors in Southern Africa, 2012). In January 2011, the South African IRC crystallised their conception of integrated reporting in a discussion paper, "Framework for integrated reporting and the integrated report" – the first time a regulator had sought to codify integrated reporting.

There was still a vacuum at the international level left by the GRI and A4S's failure to dominate, and there was the sense that there was a need for action:

> someone needs to bring us together because companies are global…we have to put some kind of brand on top (Interviewee D)

> we need to rally around one initiative, and the initiative is improving business reporting (Interviewee B)

> If the IFRS Foundation changed their name to Business Reporting...
> Somebody has to take more initiative. If IIRC doesn't do it, somebody
> has to do it (Interviewee G)

> there was very diverse support for the notion of broadening the view of what business reporting was and I think along with that a recognition that while there had been a number of previous attempts to do that, none of them had gained traction (Interviewee J)

Notes from European Commission workshops stated that

> "the question of convergence figured prominently in the discussion with participants pointing to the range of global, regional and sectoral standards and frameworks that have developed in recent years. There was a 'blizzard' of

> initiatives operating alongside this standard and framework development, often reflecting different regulator, industry and stakeholder perspectives. While many of the standards, frameworks and initiatives have common features, there were often fundamental differences in philosophy and objectives. How could convergence be engineered – who possessed the influence or convening power to facilitate that development?" (Swannick, 2010).

In taking the initiative, there was recognition that broad support was needed. A4S invited approximately 200 delegates to their Annual Forum held at St James's Palace in an effort to coordinate an international approach (Accounting for Sustainability, 2009).

> when we launched the Connected Reporting and then we [A4S] saw all the interest coming around integrated reporting and other things, we thought using the convening power of the Prince we might be able to bring everybody together doing something different and to do something coordinated and that's what we did. We had a great round table in December 2009 that brought it all together. (Interviewee A)

> it was a meeting that, I felt, left everybody, well it certainly left me very surprised that there could be so much unanimity around the table when there was such a diversity of groups there. And while different people had different views as to what integrated reporting might actually be, they weren't so different to the point that they couldn't be reconciled. I think what had arrived was the idea that current financial reporting simply wasn't enough (Interviewee J)

It was also important that the key players like the GRI were on board:

> That's not say that there wasn't a feeling that this was an initiative that, in a way, was bigger or brought in more parties than, say, the GRI or other attempts but, just to be clear, the GRI was, from the beginning, as soon as the IIRC was mooted as an idea and got any traction, the GRI was very closely involved (Interviewee J)

> the strength [of the IIRC] lies in the coalition they have built – so many relevant parties and senior parties at the table as an acknowledgement that something needs to happen – we have not had that before (Interviewee C)

At the meeting on 17 December 2009 it was agreed "that an appropriate international body should initiate a process with the relevant expertise and recognition in the area of transparency, accounting and reporting internationally to consider the development of an integrated sustainability and financial reporting framework as a critical step toward realizing a sustainable economy" (Eccles & Krzus, 2010: 9). This was a crucial combination of the nascent integrated reporting concept and a new institutional vehicle for focussing resources and expertise.

Other actors central to prior ValueReporting and AICPA Enhanced Business Reporting initiatives sought to subsequently brand their notion of ESG reporting as 'One Report' in 2009 (see Eccles & Krzus (2010) and the idea was promoted through a book and a workshop at Harvard Business School involving actors from all other competing frameworks (see Eccles et al., 2010).

However, A4S together with the GRI, were arguably more successful in enrolling and appealing to the interests of a wider, international group of institutions in an attempt to rebrand their earlier 'Connected Reporting' framework as the IIRC using the 'integrated reporting' terminology employed by the South African King Committee. In the eyes of some, the IIRC was originally known as the International Connected Reporting Committee (for example, see European Combined Alliance for ESG, 2010).

> … the Enhanced Business Reporting Framework came out of the AICPA and the PwC work and that was extended through to the ValueReporting work that PwC did in the early 2000's with David Philips. I think we are very much in the same place, we may have a

> different language but it's the same idea. What we're talking about here with integrated reporting is not new … Mervyn King encapsulates it when says that … when an idea's time has come. And I do believe that those ideas that were around a decade ago and more were great ideas but not at that time. And now the society, business, investors etc are ready for this change. (Interviewee A)

The IIRC was formed on 2 August 2010 by A4S, the GRI and IFAC, with the author of the King III principles and former chair of the GRI, Mervyn King, as initial chairperson. In the relatively brief period since its inauguration the IIRC has received support and interest from a range of bodies, regulators and companies. A discussion paper, "Towards integrated reporting", was released in September 2011 and received 214 responses from entities in 30 countries. Interest was sufficient to enable the IIRC to commence a two year pilot programme in 2011 in which 80 international organisations have volunteered to apply the draft integrated reporting principles and provide feedback to the IIRC (IIRC, 2012c).

The momentum of outputs continued after the 2011 discussion paper in the form of a 'Draft framework outline' which was published in July 2012. It provides an introduction to the structure of integrated reporting conceptual framework under development (IIRC, 2012b). Shortly after, a working draft of the integrated reporting prototype framework was released in November 2012 (IIRC, 2012d).

> what, to me, has been astonishing is how much funding and resource the IIRC has been able to accumulate in such a short period of time – it's been extraordinarily successful. It's a level of expressed demand if you like – the companies that are engaging in the pilot programme contribute quite significantly to the total resources of the IIRC (Interviewee J)

The IIRC plans to publish an integrated reporting framework during 2013. The steady flow of outputs is indicative of the energy and commitment of key individuals to the task of bringing together the earlier work. A sign of its recognition is that the European

Commission states that it is following the IIRC's "with interest" in its strategy on corporate social responsibility (EC, 2011: 12). While it is still early days for the IIRC, the prospect of potential regulator mandation of the integrated reporting framework provides important leverage to maintain interest from companies and investors. Ultimately regulator implementation of the framework would ensure dominance and is a key strategy for private standard setting bodies.

Perhaps the energy surrounding the IIRC is because it is an idea whose time has come. However, the initial success must be maintained into a longer term stable base. This requires the recruitment of a wide range of contributors and the consequent need for compromise. So while the core concepts may be recognisable, the repackaging of earlier work into 'integrated reporting' has come with changes in style and emphasis that stimulate the renewed interest reflected in the flurry of activity. In the following section we examine integrated reporting from the perspective of the tensions that have arisen for the IIRC as a fledgling voluntary standard setting body in seeking to engage with the interests of actors in the domain.

5. Tensions and Affordances in the Emerging Understanding of Integrated Reporting

One reason that groups that fail to achieve dominance choose to coalesce around a new body is that they can inscribe their views and preserve the work already done in the new framework (Guilloux et al., 2012). This creates a tension for the emerging IIRC. It must preserve the interests of the pre-existing groups while distinguishing itself sufficiently to create interest and energy around a 'new' direction.

On the one hand, the IIRC claims to co-ordinate and preserve the existing work. For example, the IIRC will; "explore opportunities for harmonizing reporting requirements within and across jurisdictions" (IIRC, 2011b: 3) and will aim "to achieve a reporting framework that is internationally agreed, so as to encourage convergence of approach"

(IIRC, 2011b: 5). Furthermore, they explicitly state that their work builds upon the frameworks of IIRC members and others such as the WICI (IIRC, 2011b) and more recently "with respect to the methods developed by others, the IIRC aims to complement material developed by established reporting standard setters and does not intend to develop duplicate content" (IIRC, 2012b:5).

To differentiate itself, on the other hand, the IIRC's mission includes a declaration of an intention to achieve dominance and a brand name (<IR>):

> The IIRC's mission is to create *the* globally accepted <IR> Framework that elicits from organizations material information about their strategy, governance, performance and prospects in a clear, concise and comparable format. (IFAC & IIRC, 2012: 1; emphasis in original)

The large number of existing organisations in the domain of ESG/CSR/sustainability reporting means that bringing the different 'pillars' and styles of reporting into one 'fully integrated' framework requires the IIRC to make affordances to the different interest groups.

> Here you've got everyone from the WWF to the UN Global Compact to the IASB and the range of stuff being reported is so much broader – the process of getting convergence around a single framework is really a much more challenging process than it is to get a new standard on, even financial instruments I dare to suggest (Interviewee J)

Our interviews and analysis of the antecedent frameworks suggest that the key differentiating factors between their approaches may be captured in the following dimensions that are explored more fully in the sections below:

- The position of integrated reporting in the corporate reporting package.
- The intended audience of the integrated report.

To explore the compromises around these dimensions in more detail each one is addressed in turn.

5.1 The Positioning of Integrated Reporting

The IIRC's 2012 prototype framework emphasises that the objective of the integrated framework is to help "organizations determine how best to disclose their unique value creation story" (IIRC, 2012d:5). In telling the company's story a related aim and by-product is to reduce reporting 'clutter';

> while the architecture necessary to support changing information needs is developing, many currently perceive a reporting landscape of confusion, clutter and fragmentation. Much of the information now provided is disconnected and key disclosure gaps remain (IIRC, 2011b).

Whether or not the integrated report will emerge as the single corporate report designed to reduce reporting length and complexity is still unclear, however. The IIRC view integrated reporting as adding to the existing annual corporate reporting package rather than integrating extant documents such as financial or sustainability reports. The IIRC conceived that, "organizations will provide *additional* detailed disclosures, such as financial statements and sustainability reports for compliance purposes and to satisfy particular information needs" (IIRC, 2012d:7; emphasis added). While the integrated report was intended to be the 'organisation's primary reporting vehicle' (IIRC, 2011b), it could be viewed as an additional burden on preparers. For example,

> some preparers view the preparation of a separate integrated report as generating compliance and cost. They might be more willing to embrace integrated reporting if it is seen as improving something already existing rather than creating an additional burden (IFAC, 2011a: 3).

> they started to do the integrated reporting 3 years ago…they just piled on additional information into the annual report information. There is no real interaction between the data, you know, its just you have 2 or 3 spots in the annual report where you just add on additional information which usually belonged to the CSR report... currently its just adding on, ok, we'll do still the same kind of reporting as we did in the past with the annual report, the financial reporting, let's say, and then we add some sections where we take 1:1 exactly what we have been publishing in the CSR and now we put that into the annual report, we save some printing costs but that's it (Interviewee E)

> in most major developed economies, it think it unlikely that the securities commission will, kind of, suddenly change their requirements and say just give us an integrated report. It may be that in those circumstances its more likely that the integrated report will kind of sit, I wouldn't say on top of, but in some ways on top of other reportings so you have an integrated report which is the, if you like, the big picture, the essence of the company's story but then underneath it you might have more detailed reporting on a GRI basis for example or detailed financial reporting according to IFRS and so on. So, it may be that in some jurisdictions the integrated report will contain the financial statements but it's hard to see that at this stage, I have to say and it implies a huge simplification of the financial statements and I don't see many governments looking to do that in the short term (Interviewee J)

However, a divergence of views on this emerging concept is apparent:

> integrated reporting is not a précis. It's very important that people don't think it is a summary or a précis (Interviewee A).

A different approach to the positioning of the integrated report is undertaken by a major dual listed multinational company:

> This year, for the first time, we will discontinue sending a separate sustainability report. Instead we will publish an integrated reporting Website and our annual report, which basically comprises of the management report and financial statements, will simply be an extract of that integrated reporting Website (Interviewee I)

Pressure for simplification is supported by the evidence of increased complexity and length in reports. The length of Annual Reports has grown on average over time and the growth in the number of pages had accelerated (for example, see Davison & Skerratt 2007). The complexity of financial reports has increased due to the emergence of additional detailed disclosures (IFAC, 2011b). Research indicates that private investors do not read audited financial information as they perceive it to be too complex and therefore not be trusted (McInnes et al., 2007). The UK FRC (2011: 27) noted that “CSR sections of annual reports contain significant immaterial clutter that is not necessarily essential for making resource allocation decisions…one of the potential reasons for this is social pressure making it difficult for a company to disregard specific CSR areas, regardless of the importance of each area to it particular business”. In summary, corporate reporting is regarded by many to be in a state of disclosure overload (for example, see ACCA 2012).

Several regulatory and private sector initiatives took place during the gestation of the IIRC that called for an elimination of redundant material in the corporate Annual Report through better coordination of disclosures (for example, ICAS/NZICA, 2011; FRC, 2011; KPMG, 2011). The FASB commenced a Disclosure Framework project in July 2009 that sought to:

> seek ways to better *integrate* information provided in financial statements, MD&A, and other parts of a reporting entity’s financial reporting package. The project objective is not intended to be additive but, rather, to develop a framework for improved US GAAP that promotes meaningful communication and logical presentation of disclosures and avoids unnecessary repetition (KPMG, 2011 emphasis added)[3].

[3] The scarcity of resources is reflected in the decision to delay this project due to the prioritisation of agenda items associated with IFRS convergence (KPMG, 2011).

> you're either going to have a report that is way too big and no-one can find anything or its going to be narrow and not fulfil the information requirements of each and every single user. The trick, really, is to find the right balance to present the information in a manner that makes it easy as possible for the users of financial information to actually find it (Interviewee I)

The initiatives all proposed reducing the disclosure level and complexity to improve communication to users – reporting should tell a story. While the need for change in is widely acknowledged and the IIRC's position on how the <IR> will fit in the reporting package is still forming, two issues emerged in the debate about reducing the length and complexity of reports that are important to the integrated reporting project.

First, focussing on a company based narrative reduces the emphasis on comparability, which is seen as important for investors. The Scottish and New Zealand accounting standard setters clearly emphasised entity specific communication rather than comparability across uniform disclosures (ICAS/NZICA, 2011:6). Materiality was regarded as, "an entity-specific aspect of relevance" (ICAS/NZICA, 2011:8) and immaterial disclosures were described as explanatory information that remained unchanged each year (FRC, 2011). The diversity of organisational practice meant the integrated reporting focused on entity specific material communication would be incomparable with other integrated reports. This tension is also highlighted in the 'guiding principles' of the IIRC prototype framework: 'materiality and conciseness' are countered by 'comparability and consistency' (IIRC, 2012d).

> communication needs to be job 1..and then I think comparability, you can call it job 2, I call it job 1a) (Interviewee B)

In their response to the IIRC discussion paper IFAC regard reporting consistency rather than entity specific communication as the most important challenge: "to be useful, the proposed disclosures need to be measured in a consistent way across organizations and industries. That requires the development of global standards to guide what should be reported and how the reported items should be measured" (IFAC, 2011a) "Without comparability between entities, it will be very difficult for investors and others to assess the results of one entity versus another" (IFAC, 2011a). The IIRC do recognise the tension between entity specific communication and comparability in aiming to "strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations but enables a sufficient degree of comparability across organizations to meet relevant information needs" (IIRC, 2012d:6).

Eccles et al. (2012) argue that materiality, and as a consequence comparability, should be defined on a sector-specific basis and KPIs were recommended by the IIRC where standardised industry definitions existed (IIRC, 2012d). However, IFAC (2011a) argue that KPIs would be better represented in the annual financial report rather than an integrated report as they presumably deflect attention from organisational communication.

> I don't know how you'd get companies to agree to one standard format to report their CR information…I think it would have to be sector specific certainly

> If you're trying to get companies of all different sorts in all different sectors to take one framework, that's going to present huge challenges. I mean, even internally, … we're a large multinational company, even to get different countries to report against a single framework and using a single set of KPIs is extremely challenging and that's just within one company so to try and get every company, to try and shoehorn everybody to use the same model – I can't imagine how that would ever work and I think there has to be a degree of flexibility for companies to report in the way that is most sensible for their company" (Interviewee F)

The second issue arising out of the reporting complexity debate is that identifying non-material disclosures involves deciding who the intended reporting recipients are. This is an issue that had divided prior ESG/CSR standardisation initiatives.

> "In terms of who you are pitching it at, different audiences want different levels of information and they want it in different formats so you have to come up with a solution that you feel is appropriate for your key audience" (Interviewee F).

Information materiality depends upon users and their goals, and ultimately, the purpose of the firm and in whose context 'value' should be judged: should it provide gains for shareholders (shareholder/investor perspective) or net gains for all 'participants' (stakeholder perspective)? (see Massie, 2010; Parker, 2005)

> "how do you determine materiality for an integrated report if you don't have a primary stakeholder in mind" (Interviewee C)

The paradox of striving to achieve a simpler, single report is that unless a clear user group is defined, the reports are inevitably long and segmented, yet a broad stakeholder perspective was one of the original reporting tenets under the GRI. It is not clear that both objectives are tenable. For example, "the effort to satisfy the information needs of a wide range of users within a single accounting model will mean that almost all of the users of financial statements will find the statements contain some information which they do not find useful" (Boyle, P. 2009: 7-8). Compounding this, the regulators of 'mainstream' corporate reports are unlikely to favour an approach that reduces information comparability for investors. The crux of the issue is who are the intended users of <IR>?

5.2 The Integrated Reporting User

Given the almost undivided attention of regulated annual reporting on investors and creditors, the early expectation around 'alternative' reporting frameworks for sustainability was that they would provide balance and focus on other stakeholders – as exemplified by the GRI (2012). However, the pressure to work towards a single report discussed above and the relatively resource rich corporate lobby has created forces that emphasise shareholders in the emerging conception of <IR>. This represents a shift towards mainstream reporting and the prospect of regulator support.

> [Integrated reporting] means trying to integrate CR information in a way that is relevant and appropriate for the accounting and financial world to look at, so presenting information in a way that an investor would find digestible and its compatible with the way that they see other financial information presented. It becomes part of the overall company's reporting so rather than being two separated reports, it's all part and parcel of one single report (Interviewee F).

The rhetoric for the greater emphasis on the shareholder/investor perspective was based upon an enlightened shareholder value philosophy: where firms that undervalue human or natural capital will be penalised by efficient markets (Massie, 2010) consistent with a neo-liberal economic ideology. Reporting on sustainability/CSR is justified only as an indicator of long term performance and risk to value creation. Therefore, firms should focus on their financial objectives whilst social and environmental decisions should be made collectively through political decision making (see Massie, 2010; Unerman, 2007).

The stakeholder perspective, recognising that firms spend significant shareholder assets trying to influence political decision making, questions whether it is in the interests of shareholders to, for example, decrease pollution if firms can externalise their pollution costs to other parties (Massie, 2010). Implicitly, the stakeholder perspective recognises that business activity may have intergenerational consequences that far outreach the horizon of long term value creation (see IFAC, 2011a) and necessitates a reporting framework that provides awareness of the collective positive and negative impacts of business activity with a focus on accountability as opposed to long term performance drivers (see Massie, 2010; Cooper & Owen, 2007; Buhr, 2007; Roberts, 2003; Gray et al., 1995).

By aiming to develop a narrative reporting framework that would meet the needs of both shareholders and stakeholders, the IIRC assumed that the interests of shareholders and stakeholders can be reconciled – viewed by many as an impossibility given the incongruence between profit maximisation, labour costs, community welfare and resource conservation. Due to the broad philosophical differences between the shareholder and stakeholder perspectives, there is a contest to influence the interests inscribed in the IIRC framework.

Several key actors sought to position shareholder/investor interests. For example, the chair of the IIRC and A4S collaborator noted that the integrated reporting framework aimed to "support the information needs of long-term investors" in Feb 2011 (Peat, 2011:9). The ICGN, explicitly set out guidance from a 'shareholder and investor perspective' and warns against a 'wild profusion of peripheral, trivial or irrelevant measures' (ICGN, 2008). The UK FRC and ASB specifically advocate a shareholder-based interpretation by warning that integrated reporting could "run the risk of being captured by particular stakeholder groups and the reporting of issues that are not material to the needs of long-term investors" whilst guarding against "increasing the length and complexity of the annual report" (ASB, 2011:10; FRC, 2011: 28). Eccles & Krzus (2010: 115) claim that "the core explanation given by each company for why it was practising integrate reporting was that sustainability or CSR was a key aspect of creating value for shareholders".

Alternately, IFAC recommend organisations expand from a shareholder to a stakeholder perspective and move towards integrated reporting which they define as "the delivery of periodic information in any medium, via any channel, for the purpose of communicating the social, environmental, and financial performance and position of an organization to various stakeholders" (IFAC, 2011b: 9). In their response to the IIRC discussion paper, IFAC (2011a:4) note, "while the IIRC might conceive that an integrated report should be focused on investors, this is not clearly the case for integrated reporting more generally".

Bob Herz (former head of FASB) suggested that the participants in the <IR> project have come to it from different perspectives and for different reasons:

> At both the initial IIRC meeting and at the HBS[4] conference it seemed clear to me that different people have latched on to this effort for very different reasons. For example, some seem to view integrated reporting primarily as a path to reforming what they term a 'broken' financial reporting system. In contrast, others seem to view it as way of grafting the relatively nascent reporting of environmental, social and governance data and sustainability reporting on to a well-developed and generally accepted financial reporting system. (Herz, 2010: 256).

This view is echoed in and perhaps underlies a common concern of our interviewees that the purpose of the <IR> would be misunderstood:

> …integrated reporting is not the evolution of sustainability reporting, it's the evolution of corporate reporting of which sustainability reporting is an element (Interviewee A)

> I think a misconception in the marketplace is that integrated reporting is about social responsibility – it's about bringing economic value and reporting on that value and how you plan to achieve your goals, right (Interviewee D)

[4] Harvard Business School

> sometimes our message gets a little crossed – people come with different backgrounds…what we're all talking about is the long term value proposition of a business… sometimes you get mixed messages from the IIRC – it think it's just our different backgrounds (Interviewee B)

> One of the objectives [A4S] was trying to achieve was to present the information in a way that was more usable and user friendly for the financial sector (Interviewee F)

In the first regulatory codification of integrated reporting, the IRC of South Africa had adopted a stakeholder-orientated perspective. For example, "the overriding objective of integrated reporting is to enable stakeholders to assess the ability of an organisation to create and sustain value over the short-, medium- and long-term" (IRC of South Africa, 2011:1). "Economic Value (as opposed to financial issues) should be specifically addressed – i.e. value added to the community, sharing of wealth, distribution of wealth etc." (IRC of South Africa, 2011:15). Furthermore, "the organisation's governing structure should use integrated reporting to demonstrate how it is: fulfilling its governance duties and responsibilities; providing ethical leadership; ensuring effective engagement and communication with stakeholders is taking place; and ensuring the organisation is and is seen to be a responsible corporate citizen." (IRC of South Africa, 2011: 18).

However, later in the year, the IIRC had moved towards a shareholder/investor perspective in its interpretation of integrated reporting.

> within the work that's been going on, there are a number of areas where just because it's so new and there's so much to do in a sense that positions have been taken which are kind of temporary in a sense but they are quite important (Interviewee J)

The September 2011 IIRC discussion paper regarded integrated reporting to be,

> …critical to meeting the information needs of investors and other stakeholders (IIRC, 2011b: 2)…The initial focus is on reporting by larger companies and on the needs of their investors (IIRC, 2011b: 3)…Initially, however, the IIRC intends to focus the development of the Framework on the needs of investors (providers of debt and equity), consistent with the current duties of those charged with governance in many jurisdictions (IIRC, 2011b: 8).

The change in emphasis met with support from respondents to the paper. Of the 51% of parties who responded to the question, 65% agreed and 35% disagreed that investors should be the initial focus (IIRC, 2012a). However, the divergence in approach has risks as IFAC (2011a: 5) notes:

> In the interests of international harmonization, the only other jurisdiction currently taking integrated reporting forward (South Africa), is proposing a wider stakeholder model based on the Code of Governance Principles for South Africa, which is a stakeholder inclusive code…A deviation in approach at this early stage might cause later convergence challenges.

After considering the responses to the discussion paper, the 'Draft framework outline' published by the IIRC in 2012 maintained its emphasis on shareholder/investor primacy whilst adopting a slightly more inclusive approach than the discussion paper. For example, "the intended audience of Integrated Reporting, noting that while an Integrated Report is primarily aimed at the information needs of investors it will also be of benefit to other stakeholders" (IIRC, 2012b: 5). The IIRC 2012 prototype framework, however, reasserts the focus on the investor:

> …communications that result from integrated reporting are aimed principally at long term investors in order to support their financial capital allocation decisions. The IIRC adopts the view that the interests of long term investors are aligned with the public interest in that both are focused on long term, as well as short and medium term, value creation and preservation" (IIRC, 2012d:4) …A broader group of

> stakeholders… is also likely to benefit from the information in an integrated report, but their particular information needs will also continue to be served by other forms of communication including compliance and sustainability reports (IIRC, 2012d:16).

The tension surrounding this pivotal decision in the development of <IR> requires careful balancing by the IIRC. The diversity of interests that command the resources, expertise and influence that will maintain its momentum have been identified as a strength, but they also risk undermining work to produce a coherent framework. The success of the IIRC may depend on its ability to maintain the support of the broader stakeholder groups while engaging with regulators, companies and investors.

6. Discussion & Concluding Comments

In this section we consider the form in which <IR> is likely to emerge from the intersecting action nets outlined in the analysis. <IR> is a flexible technical object that is shaped by the need to make affordances in order to gain long term stability (critical mass, resources, regulatory support). It has done this by offering an ESG reporting framework in the corporate reporting space available given the lack of prior initiatives to gain sufficient acceptance.

The importance of broad support led the IIRC to bring together a comprehensive coalition of voluntary reporting actors and institutions. However, coalition building means the IIRC cannot simply usurp prior reporting initiatives which leads to uncertainty over the positioning of integrated reporting in the corporate reporting 'supply chain'. A diversity of views exists about whether <IR> sits above or below, or replaces other aspects of corporate reporting. The plethora of regulatory initiatives investigating disclosure overload and reporting complexity offer <IR> the opportunity to act as a solution – a shorter, less complex, broader report on corporate activity. In doing so, it is uncertain whether <IR> will replace, in some way, an aspect of the current corporate reporting package. Judging from all the documents posted by the IIRC as examples of ‘integrated reports’ in 2012 (and therefore prepared before the draft prototype <IR> framework was issued) there is little convergence of practice: the reports range from 56 to 268 pages long and the majority are GRI approved. Whilst half of the integrated reports replace the ‘annual report’, half of the companies maintain a separate annual report. The majority use the integrated report as an opportunity to cut or reduce the sustainability/CSR report or reduce the level of sustainability/CSR disclosures.

Despite the more pluralist stakeholder-orientated approach adopted by the IRC of South Africa, the need for a critical mass of network acceptance, and resources (and therefore corporate and regulatory support) means the IIRC has initially moved towards a shareholder-orientated reporting perspective in terms of materiality and audience. However, analysis of those integrated reports selected by the IIRC in 2012 on its ‘examples database’ reveal a more diverse approach - no report is clearly targeted only at the shareholder/investor.

Due to the multitude of actors and interests enrolled within the IIRC network, the project may be destabilised by the erratic intentions of multiple actors pursuing their own goals. As actors have joined the IIRC network, the meaning of integrated reporting is transformed (Latour, 1996). In order to maintain the perception that integrated reporting can offer a solution to those actors interested in reducing reporting complexity and improving reporting materiality, the IIRC have to set a context in which materiality will be judged. Unless there is a common point of view, the object, ‘integrated reporting’ cannot exist independently of the individual actors (Latour, 1996). Due to the difficulty in identifying users in a pluralist stakeholder reporting model, the IIRC have become more explicit about prioritising the needs of long term investors. Therefore, the IIRC appears to be to be seeking to standardise a pro-capital representation of integrated reporting inscribed with an enlightened shareholder value philosophy driven by the need to enrol both actors who view integrated reporting as a means to reduce reporting complexity, size and immaterial communication, and those who view it as a means to provide a holistic view of corporate activity material to shareholder/investor needs.

> the view's been taken that the framework that's being developed is primarily for long term investors – well that's not to say at all that other organisations or other people or individuals won't have an interest but in developing the framework the greatest attention has been paid to the information needs of long term investors. The thought is that as it develops over time the needs of other groups will be accommodated as well, or perhaps more clearly accommodated. And similarly, the focus is on large corporates in the first instance rather than small companies or public sector or not for profit organisations and yet again it is very clear that integrated reporting could apply equally as well to those organisations as it does to large companies but in focusing our effort in the short term, there's been a focus on the information needs of long term investors and reporting by large businesses rather than by other organisations but they're in part an attempt to make sure that while we can get movement by focussing on that group (Interviewee J)

> integrated reporting, has taken as a starting point for the moment saying let's start with the investor interest, and I think that's right in the first instance to get something going (Interviewee C)

In its adoption of an enlightened shareholder value approach, the IIRC the risks failing to meet the interests of those who believe in the ultimate incompatibility of entity specific value creation, and environmental and social sustainability.

> Well they need to work together but its, you know, and well there was… integrated reporting was supposed to do that but I think they are too loose an organisation that they get something done because everybody is trying to… protecting their turf and there needs to be a totally new framework (Interviewee G)

The draft prototype framework does recognise forms of 'capital' other than financial and notes the trade-offs between them. Yet it asserts that "value for integrated reporting purposes is, therefore, value created for investors, with particular emphasis on long term investors" (IIRC, 2012d:16). Materiality and therefore the importance of each type of capital is judged from the perspective of the report user, the long term investor.

It is difficult to conceive of a company reporting on the trade off between capitals such as efforts to reduce labour rights and therefore reduce social capital that will ensure lower future wage levels and thereby increase financial capital. Integrated reporting becomes an exercise in value creation rather than accountability to those affected by its actions. In its guiding principles on responsiveness and stakeholder inclusiveness, the emphasis is on managing stakeholder relationships as a part of risk management (see IIRC, 2012d:23). In focusing on the "nature and quality of the organization's relationships with key stakeholders, such as customers, suppliers, employees and local communities", (i.e. managing them rather than being accountable to them) the IIRC conception of integrated reporting bears some resemblance to some visions of management commentary. IFAC (2011a) question whether integrated reporting principles could be incorporated into management commentary.

This had been considered by a large dual listed multinational but rejected due to its incompatibility with domestic company law:

> our sustainability colleagues suggest that we also structure the management [commentary] along the guidelines of the IIRC but we said no – if we do that, we move too far away from the [national law] (Interviewee I)

> to emphasise the diversity of views we're trying to keep on the same page, I mean there are certainly people who sit around the table in the IIRC who think, essentially, it is kind of a glorified management commentary and you'd have to concede that a management commentary could cover the sort of stuff that we would see as being included in an integrated report – I mean, observably, that's not what most management commentaries have been. I think they're, to a greater extent, an explanation of the financial statements more, or a commentary on the financial statements rather than a separate report covering the broader range of aspects of corporate performance. It's kind of similar to management commentary in that its seeking to represent financial and non-financial information – there are some similarities. I'm not wanting to draw too sharp a distinction between

> integrated reporting and management commentary because a good management commentary might do significant chunks of what integrated reporting is seeking to do. I think, perhaps, the difference is that integrated reporting in a way is saying that one way or another management commentary was not giving the breadth of information or not taking a view of the organisation in a way that satisfied the information needs of markets and, in particular, long term investors (Interviewee J)

Consequently, the IIRC's interpretation of integrated reporting, <IR> becomes closer to recent regulatory initiatives such as ValueReporting, Connected Reporting, the Enhanced Business Reporting Consortium and the World Intellectual Capital Initiative – a modern, strategic, broader approach to management commentary whose time has come.

The paper has documented the development of integrated reporting, from a concept practised by few companies to its inclusion in national regulation, and its institutionalisation in an international corporate reporting initiative. Drawing on interviews, documentation and observations of those involved in the development of integrated reporting, it traces the IIRC's evolution from several prior local reporting initiatives and demonstrates how its successful conception was enabled by the timing of the initiative: in seeking to capitalise on regulatory interest in South Africa and elsewhere, and the growing demand for an international ESG reporting framework acceptable to the investor community.

In balancing the preservation of elements of the earlier frameworks and yet defining a new brand of integrated reporting (<IR>), the IIRC's framework makes affordances to the relatively resource rich investor group. Network stability cannot be achieved without orientating integrated reporting towards the needs of the providers of financial capital as an evolution of prior investor-centric attempts. This approach enables the network to receive sufficient resources and support from, for example, companies, regulators, investors and accounting groups. The IIRC are able to develop a more stable network around a more easily identifiable (and resource-rich) investment community group even though this limits the innovatory possibilities of integrating reporting technology and risks losing a section of the support they had gained in their successful initial conception. The positioning of <IR> within the current corporate reporting package remains contested – the desire to offer a new reporting solution significantly replacing or reforming corporate reporting is tempered by the need to avoid usurping the efforts of key members of the IIRC coalition. The need to make affordances to key member organisations in this respect may, again, limit the innovatory potential of <IR>.

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