

Perceptions of Corporate Executives in the Adoption and Implementation of Integrated Reporting : Evidence from Malaysia

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Abstract

Integrated reporting (IR) is steadily gaining momentum globally. Therefore, the aim of this paper was to examine the executives' perspectives on IR in the Malaysian context regarding their awareness, benefits, costs, training requirements apart from ascertaining how organizations are preparing themselves towards adoption and disclosure of the IR. Using a simple random sampling method, 150 companies listed on Bursa Malaysia agreed to participate in the survey, however, responses were received from 50 companies only. Derived from literature review, a questionnaire was used to collect the data during April-June 2017. Majority of the respondents were senior managers and managers from accounting and finance functions. The responses were measured on a Likert scale. The findings revealed that none of the surveyed companies had yet adopted IR as the new reporting tool, yet 56% of them were considering adopting IR due to potential derived benefits. In Malaysia, the level of knowledge about IR is still at a lower level due to users' general lack of familiarity with the IR model. Therefore, training will benefit the companies' executives to increase their awareness and knowledge of IR gradually. This gives us positive and integrated thinking towards IR in Malaysia. The Malaysian Institute of Accountants (MIA) emerged as the leading agency for enforcement of IR and is to be made a mandatory requirement for financial reporting in Malaysia. The study suggested that future studies may be targeted to the executives who have primary responsibility for preparing IR, in addition to focusing on determinants of IR adoption and implementations.

Key words : integrated reporting, awareness, benefits, costs, training, financial reporting, Malaysia

JEL Classification : L1, M41, M48

Paper Submission Date : February 20, 2018 ; **Paper sent back for Revision :** May 12, 2018 ; **Paper Acceptance Date :** May 22, 2018

Today, researchers posit that conventional financial reporting has a particular focus on reporting financial performance of an entity, and it fails to meet the needs of businesses seeking to develop responsible operations in the short and long term (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). Financial statements are backward looking based on the historical information; they do not meet the stakeholders' needs fully regarding how the organization created value for them (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016) ; whereas, environmental,

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social, and governance reporting has a very specific focus on reporting non-financial information on environmental, social, and governance performance only. Therefore, an improved mode of reporting has been felt in the form of Integrated Reporting (IR) in order to bridge the reporting gap.

IR is considered more than just combining the disclosure of financial information and non-financial information into one single document. Nylander (2015) stated that IR requires a new way of thinking about what a business is ; instead of just money - making, an entity should see a business as a means that utilizes various capitals, namely financial, intellectual, human, social, and natural capitals to create financial, social, and environmental values. International Integrated Reporting Council (2013) considers IR as a detailed communication on how an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the business life period. Makiwane and Padia (2013) argued that IR is the organization's performance in finance and sustainability, while, Institute of Directors, Southern Africa (2012) described IR (in the South African context) as an important report for the stakeholder to assess the organization's prospects for future value creation.

Global Reporting Initiative (2012) defined IR as a single report that combines the financial and narrative information found in a company's annual report with the non financial such as environmental, social, and governance issues and narrative found in a company's corporate social responsibility or sustainability report. Therefore, IR may be considered as a mechanism to enhance the way an organization thinks, plans, and reports the outcome of its business in a single report.

The main purpose of an IR is to explain to the investor how an organization creates value over time. Thus, IR helps the stakeholder to understand the disclosed information on the financial and non-financial information. Not only that, but IR also reveals that it provides more transparency on corporate responsibility (Hoque, 2017). Furthermore, there is a connection between the financial performances and non-financial performances (Jensen & Berg, 2011). Additionally, an IR would benefit all stakeholders who are interested in an organization's ability to create value over time, this including the employees, customers, legislation, regulators, and policymakers (International Integrated Reporting Council, 2013). IR adds value to a company by highlighting how green and ethical values drive long-term growth (Nylander, 2015).

Since IR is a current issue in the financial reporting area, therefore, this topic was chosen to carry out research in the Malaysian context in order to investigate the status of organizations in adopting IR as their new financial reporting tool. Additionally, the study aims to spread the information on the importance of IR to the organizations, to make awareness that IR is now seriously considered to be adopted, and to inform how IR can help to identify the best interests for the organization to create value.

Evolution of Integrated Reporting

The need for IR was initiated for the first time in 2009 when The Prince of Wales convened a high level meeting of investors, standard setters, companies, accounting bodies, and the United Nations representatives. The attendees were also The Prince's Accounting for Sustainability Project, International Federation of Accountants (IFAC), and the Global Reporting Initiative (GRI) in order to establish the International Integrated Reporting Committee (IIRC), a body to oversee the creation of a globally accepted IR framework (Shipon, 2013). In November 2011, the Committee was renamed to International Integrated Reporting Council (Dudycz, Osbert - Pociecha, & Brycz, 2017).

Therefore, the International Integrated Reporting Council aimed to create a globally accepted framework for a process that results in communications by an organization about value created (International Integrated Reporting Council, 2011). To support the development of an effective framework, IIRC required a huge collaboration, consultation, and experimentation from all those involved in the reporting system. Looking toward the future of

IR framework as a mechanism to assess an organization's value in the 21st century, International Integrated Reporting Council has taken some pro-active steps. These include a two-year pilot programme, develop an IR framework, monitor the measurement and reporting practices, raise awareness among investors and stakeholders to adopt the evolution of IR, harmonization of the reporting requirement within and across jurisdiction, and develop ongoing governance of IR (International Integrated Reporting Council, 2011).

Later, the prototype of the international IR framework was released by the IIRC in 2012. This was an interim step intended to demonstrate the progress towards defining key concepts and principles that underpin IR and support an organization's ability to produce an integrated report (IR). In 2013, the International Integrated Reporting Council released the consultation draft of the international IR framework. The launch was followed by 90-days consultation period for all stakeholders, the opportunity to respond to comments and feedback that will help to shape the development of the framework. At the end of the year 2013, International Integrated Reporting Framework was successfully published and is now available online (Deloitte, 2017).

International Integrated Reporting Framework (IIRF)

The IR framework was designed to allow the organization to provide a clear guide for the reported financial and non-financial information which improves the future organization performance (Lipunga, 2015). The importance of the framework is to create a guiding principle and the content element that oversees the overall content of an IR (International Integrated Reporting Council, 2013). The International Integrated Reporting Council also provides an overall understanding of IR, development of IR, and the essential element to be comprised in the preparation of the IR (Lipunga, 2015). It is to be noted that the preparation of IR is based on seven guiding principles, which enlighten the content of the report and the way the information is accessible in the IR.

The Table 1 depicts the guiding principles for preparation of an IR. The second part of the framework is the

Table 1. Guiding Principles of International Integrated Reporting Council

1.Strategic Focus and Future Orientation	An integrated report should provide insights into the organization's strategy and how it relates to the organization's ability to create value in the short, medium, and long term, and its use of and effect on the capitals.
2. Connectivity of Information	An integrated report should show a holistic picture of the combination, interrelatedness, and dependencies between the factors that affect the organization's ability to create value over time.
3. Stakeholder Relationship	An Integrated Report should provide insights into the nature and quality of the organization's relationship with its key stakeholders, including how and to what extent the organization understands, takes into account, and responds to their legitimate needs and interests.
4. Materiality	An Integrated Report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium, and long term.
5. Conciseness	An Integrated Report should be concise to the most possible extent.
6. Reliability and Completeness	An Integrated Report should include all material matters, both positive and negative, in a balanced way and without material error.
7. Consistency and Comparability	The information in an integrated report should be presented : <ul style="list-style-type: none"> • On a basis that is consistent over time. • In a way that enables comparison with other organizations to the extent that it is material to the organization's own ability to create value over time.

Source : Adapted from International Integrated Reporting Council (2013, pp. 16 - 18).

Table 2. Content Element of International Integrated Reporting Council

1. Organization Overview and External Environment	What does the organization do and what are the circumstances under which operation?
2. Governance	How does the organization's governance structure support its ability to create value in the short, medium, and long term ?
3. Business Model	What is the organization's business model ?
4. Risk and Opportunities	What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium, and long term, and how does the organization deal with them?
5. Strategy and Resource Allocation	Where does the organization want to go and how does it intend to get there ?
6. Performance	To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
7. Outlook	What challenges and uncertainties is the organization likely to encounter in pursuing its strategy and what are the potential implications for its business model and future performance ?
8. Basis of Presentation	How does the organization determine what matters to include in the Integrated Report and how are such matters evaluated ?

Source : Adapted from International Integrated Reporting Council (2013, pp. 24 - 25).

content element. According to the International Integrated Reporting Council (2013), the IR also includes these content elements as fundamentally linked to each other and are not mutually exclusive. The content elements are described in the form of questions, which allow the organization to identify what information needs to be reported. The Table 2 explains the content element of an IR.

Motivation for Undertaking this Research

Three years have passed since the release of IR globally, and it seems that the level of awareness of IR among the Malaysian companies is still questionable. Besides that, whether the financial and non-financial reports are still reported separately, or they have moved to adopt IR as a new method for corporate reporting is not clear. Another reason is that, although some of the international companies have already adopted and are using IR as their financial reporting method, how Malaysian companies deal with IR in the process of adopting it as their financial reporting tool and what are their plans to successfully adopt and implement IR needs to be examined. These are the few reasons that motivated us to undertake this research. Therefore, the present study was undertaken to investigate the extent to which integrated reporting is perceived among corporate executives and to examine the awareness, benefits, costs, training requirements, and preparation towards adoption and disclosure of IR.

Review of Literature

Early studies on IR showed that the popular organizations that prepared some IR were large public companies that were dominated by the financial services industry, not by the high social and environmental impact industry (Wild & van Staden, 2013). During 2001 to 2006, non-financial reporting was subject to the regulation delivered on the national and international level. Then in 2007, companies began to report on sustainability/ social reporting during the sustainability era as few studies reported improved post business responsibility reporting which positively and significantly influenced market valuation (Charumathi & Ramesh, 2017). Nelson (2017) reported that the demand for non-financial reporting has been on the increase after the financial crisis of 2008 - 09. However, due to

the changing perspective on extra financial information, increasing pressure on corporate reporting, difficulty in disclosure and finding information, the IR system was used in the year 2010 (Ioana & Andriana, 2014). Hence, in 2011, the IR principle was adopted over by 100 businesses all around the world (Havlova, 2015).

The reasons for a company to adopt IR were reported by Eccles and Serafeim (2015). The authors argued that the information function would enable the investor to make capital allocation decisions across same sector companies. Different studies identified that publishing an IR for environmental, social, and corporate governance performance (ESG) would result in a superior outcome compared to a stand-alone report (Mervelskemper & Streit, 2015). Besides that, incorporating the financial, social, environmental, and economic dimensions into a strategic objective and planning process would encourage sustainable decision making in an organization (Steyn, 2014).

Research in South Africa reported that the IR framework has been an improvement on the traditional annual report. More emphasis was on non-financial measures and evidence of an effort to integrate financial and environmental, social and governance metrics, which showed a better understanding of the organization's sustainability (Atkins & Maroun, 2012). However, Brown and Dilard (2014) illustrated that the IR is a one-sided, limited approach to assess and to report the sustainability issues in a company. It was also identified that for an IR to become a legitimate practise, the financial and sustainability account needed to be reconciled in a compromised order, which required a common interest, avoidance of clarification, and ambiguity maintenance (Van Bommel, 2014).

In a recent survey, the Malaysian Institute of Accountants & Association of Chartered Certified Accountants (2016) showed that stakeholders were looking forward to a better opportunity to get the financial markets work effectively while encouraging for value creation in the short, medium, and long run. Based on the IR framework, companies were encouraged to report in a more integrated way. The survey showed that 58.4% of the respondents thought that by adopting IR in Malaysia would help to improve their financial reporting by increasing the level of transparency as well as improve the corporate governance reporting and communications with external stakeholders. Out of the 330 survey respondents, 51% stated that they had a very little knowledge on IR, while only 13% showed that they had in-depth knowledge of IR (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016).

(1) Type of Targeted Respondents : It is important to know the target respondents and number of years of experience to get a good response to the survey. Research showed that the majority of respondents were financial preparers, CEOs, CFOs, financial controllers, accountants, audit committee members, and directors who directed the financial statement preparation (Institute of Singapore Chartered Accountants & National University of Singapore, 2014). Malaysia Institute of Accountants - Association of Chartered Certified Accountants (2016) survey was targeted to MIA and ACCA members. A few of the respondents were having several memberships in other professional bodies, such as the Malaysia Institute of Certified Public Accountant (MICPA), the CPA Australia, the Chartered Institute of Management Accountants (CIMA), and the Institute of Chartered Accounting in England & Wales (ICAEW) (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016).

(2) Company Status on the Adoption of Integrated Reporting : Before the pilot program, some companies had started to adopt IR fully in 2010. The number was increased in 2014 from 16 to 37 companies where they had fulfilled most of the International Integrated Reporting Council requirements (Havlova, 2015). Early research showed that many companies around the world were not ready to produce the IR. Research also showed that some majority of larger companies were moving forward attempting to produce IR (Ernst & Young, 2014).

The survey also found that companies have moved beyond a simple adoption in integrated reporting framework

or integrated reporting veneer in line with the corporate strategy that measures corporate risk and performance through holistic value creation lens (Ernst & Young, 2016a). Additionally, although adoption of IR is important for the organization, the effects of IR also need to be evaluated. Research so far has not reported any evidence of the impact of IR framework on the quality of environmental disclosure within the adopting and non-adopting companies, which had not resulted in improved environmental performance (Poignant & Stensio, 2014).

(3) Awareness of Integrated Reporting : According to the Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, 51% of the respondents placed themselves in the lowest category, while 13% ranked themselves in the top two categories, that is, possessing extraordinary level of knowledge on IR. It indicated that the financial reporting preparers did not have sufficient knowledge of IR (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). In the Institute of Singapore Chartered Accountants & National University of Singapore survey in Singapore, 66.7% of the respondents indicated no or low levels of knowledge in IR and 12.5 % ranked themselves as having top two level category, that is, having above average level of knowledge. Awareness on the implementation of IR is required across the organization, not only by the management, but also the employees. PricewaterhouseCoopers (2012) suggested that the management must get involved in the initial stages of the implementation of IR.

(4) Sustainability Report and Integrated Reporting : According to Kocamiş and Yildirim (2016), sustainability report is a report that is published by an organization about the economic, environmental, and social impact caused by its everyday activities. This report also projects the organization's value, governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. A sustainability report also helps the organization to measure, understand, and communicate its economic, environmental, social and governance performance, set goals, and manage change.

Research has identified that sustainability reporting benefits the organizations in a way that helps to increase their financial performance, access to capital, risk management, social benefits, reputation, productivity, and improved process and business (Ernst & Young, 2016b). Furthermore, the findings also showed that the current GRI guidelines were not sufficient for certain industries because the needs of the customers were not considered sufficiently covered in the GRI guidelines (Isaksson & Steimle, 2009). Due to insufficient information presented in the sustainability reports, it has been criticized that sustainability reports alone do not help the stakeholders to decide for the organization. Furthermore, the Integrated Reporting Committee (IRC) in its discussion paper identified the weaknesses of sustainability reporting such as : (a) it is disconnected from the organization's financial reports, (b) provides retrospective performance, and (c) there is no linkage between sustainability issues and the organization's core strategy (Clayton, Rogerson, & Ramped, 2015 ; Matthews, 2011).

Table 3. Difference Between IR and Sustainability Reporting

	Integrated Reporting	Sustainability Reporting
Focus	Traditional risk and wider sustainability risk	Wider sustainability impacts
Time scale	Yearly reporting	Future orientation
User	Providers of financial capital	Stakeholders
Materiality	Financial significance	Any information that is significant to readers
Economic	Material	Intangible
Data	Financial and non-financial	Non-financial

While the suggestion to adopt IR is to build a sustainable society (Hoque, 2017), a holistic and integrated representation is needed for an organization to perform regarding its financial performance and sustainability (Clayton et al., 2015). The Table 3 shows some indispensable elements of IR compared with sustainability reporting.

(5) Benefits of Integrated Reporting : A few surveys (e.g., Ernst & Young, 2014) reported that one of the benefits of IR is to help the stakeholders to make better informed decisions about where to allocate their capital. Besides, it also helps share information on a broader range of metrics than contribute to long-term value and the role an organization plays in society, including its use of resources. Additionally, IR also helps the organizations to improve their ability to describe their strategy and how to create value; it provides greater access to and transparency in information from an internal and external information source, provides streamlined reporting through more reuse of reporting elements, enables transparency and collaboration on reporting and using analytical concepts used both by internal and external analysts. Black Sun's (2014) study showed that 87% of the participants believed that financial capital providers had a better understanding on the organization strategy, and 79% believed that financial capital providers had greater confidence in the long-term viability of the business model.

According to Kruz (2011), there are four critical benefits of IR that improve the fundamental problem of today's reporting model which include greater clarity, better decision, deeper engagement, and lower reputation risk. Perhaps, some organizations adopted IR to simplify and integrate the organization information and to highlight the organization strengths to create value and transparency in a comprehensive way (Paolucci & Cerioni, 2017).

Eccles and Saltzman (2011) identified that there are three classes of benefits from IR. First is an internal benefit, including better internal resources allocation decision, greater engagement with shareholders and other stakeholders, and lower reputation risk. Second is external benefits, including meeting the needs of mainstream investors who want ESG information, appearing on sustainability indices, and ensuring that data vendors report accurate non - finance information on the company. The third is managing regulatory risk, including being prepared for a likely wave of global regulation, responding to request from the stock exchange, and having a seat at the table as framework and standards are developed (Eccles & Saltzman, 2011).

Research showed that 84% of the organizations reported improvement in data quality, 92% stated that there was improvement in understanding of value creation, while 95% reported that developing a better understanding of value creation over time was motivation and benefit of IR (Black Sun, 2014). Furthermore, the ability of IR to play a role in accounting for value creation is not dependent on how effective organizations are in adopting the technical aspects, but rather on their ability to stimulate new thinking and action toward major business model adaptation. Thus, the benefits of IR should be considered contextually (Cheng, Green, Conradie, Konishi, & Romi, 2014).

(6) Responsibility for Preparing an Integrated Report : It is important to identify the primary preparers of the IR. Based on the Institute of Singapore Chartered Accountants & National University of Singapore's survey (2014), the respondents chose the CFO to have the primary responsibility in preparing the IR, even though the IR consists of more than just financial information. According to the Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, the results showed that existing and potential investors were the highest main recipients of integrated reports, followed by the analysts and regulators. The survey also showed that top management that comprised of CFO (59.4%), CEO (50.0%), and Board of Directors (41.2%) would be the primary responsibility for preparing the IR.

(7) Responsible Agency for the Implementation of IR : Institute of Singapore Chartered Accountants & National University of Singapore (2014) showed that most respondents agreed to implement the IR as a generally accepted practice rather than as an international standard. The respondents were divided between the options market driven approach, or a comply or explain regime, with less support for IR to be regulated driven (Institute of Singapore Chartered Accountants & National University of Singapore, 2014). However, majority of the respondents in Malaysia stated that IR should be driven by regulation form (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). Furthermore, the largest group estimated to be with 40% of the respondents stated that IR should be required on an apply or explain basis ; whereas, a smaller group estimated to be 30% perceived that IR should be made as a compulsory requirement (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). Hence, it is important to create awareness and understanding of IR to encourage the companies to adopt IR as their financial reporting platform.

Early implementation of IR will be required to experiment with the new system, and along the way they will anticipate the challenges such as understanding about the complexity and ability to articulate linkages, quantifying performance, maintaining relevance to each stakeholder, integrated risk management, information reliability, and investors' understanding on IR (The Association of Chartered Certified Accountants & Net Balance Foundation, 2011).

(8) Type of Training Required for IR : Abeysekera (2013) reported that training and development are not only important for the organization, but with globalization leading to a unified society, cross-cultural awareness based workshop comprising role plays and presentation for every staff member need to be conducted for half a day. Additionally, professional bodies such as Malaysia Institute of Accountants & Association of Chartered Certified Accountants need to be involved in conducting research, initiate training, seminars, and promoting technical and practical guidance material in IR. The survey also showed that internationally recognized training syllabus for IR would be valuable to them, considering how to obtain skills and knowledge in this area. Furthermore, high quality training on IR generally helps the individuals to assess the benefits and costs for themselves in the context of their organization (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016).

(9) Influence of IR on the Company : Prior survey studies found that a good number of participants believed that if companies go for the widespread use of IR in Malaysia, it would make it a more attractive place to do business (Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). However, in Singapore, only 37% of the respondents were sure that adoption of IR would make Singapore a more attractive place to do business (Institute of Singapore Chartered Accountants & National University of Singapore, 2014). Majority of the respondents reported positive changes in relationship with the provider of financial capital as they understood the organization's strategy better and had more confidence in the long-term capability of the business model (Black Sun, 2014) ; 75% of the privately held companies, 69% of the listed companies, and 55% of the public sector entities reported that relations with financial capital providers were motivated to move towards IR (Black Sun, 2014). The adoption of IR may also influence business risks and profitability of the companies, and also improve compliance practices (e.g., Sofian & Dumitru, 2017). The Black Sun (2014) survey revealed that 68% of the respondents saw a better understanding of the business risks and opportunities, particularly those with long term implications.

Methodology

A successful survey relies on the selection of the characteristics as well as precise and neutral research sample. A

simple random sampling method (through draw of lots) was used for this research. A total of 300 listed companies from Bursa Malaysia were selected for this study, which constituted 36% of the total listed companies as on December 31, 2016. These companies were then contacted by phone, requesting them whether they would participate in the present survey. Only 150 companies stated yes, and the remaining refused, citing various reasons such as busy season, no time, not interested, etc. Therefore, 150 companies were the target group. The sample companies represented various types of industries such as manufacturing, plantation, construction, banking and finance, hotel, developer, etc.

(1) Survey Instrument : A questionnaire survey was conducted to collect data on the perceptions of executives from the Malaysian listed companies on the various aspects of IR. A self-designed questionnaire was used to solicit data and information from the sample companies. The questionnaire was developed based on a few previous surveys and studies. The questionnaires were distributed to companies in Malaysia. It did not matter whether they had adopted IR or not.

The questionnaire contained eight sections:

- (i) Respondent Profile,
- (ii) Adoption of IR,
- (iii) Level of Awareness,
- (iv) Perceived Benefits,
- (v) Primary responsibility for preparing the IR,
- (vi) Implementation,
- (vii) Training, and
- (viii) Impact of IR.

Most of the questions in the questionnaire were closed-ended questions. Section 1, 3, 5, 6, and 7 comprised of multiple choice questions with limited yes or no answer questions. Questions in Section 2 contained a combination of multiple-choice questions and one Likert scale question type. Meanwhile, sections 4 and 8 comprised of Likert scale type questions. Furthermore, the questionnaire consisted of five Likert-type scale questions such as adoption of IR framework, disclosure in the annual report, improvement of current financial reporting, benefits of adopting IR, and cost of preparing financial reporting, and effects of IR. The Likert-type questions were measured using a rating scale of 1 to 5.

Emails, with a covering letter and also an open letter taken from the supervisor, were sent to 150 companies with a request to participate in this survey on IR. The questionnaires were addressed to CFO, CEO, Financial Controller, and Manager (accounts). One-month time was given for the respondents to complete the questionnaires. After completion of the third week from the date of sending emails, reminders were also sent to increase the response rate. In a few cases, telephone calls were also made to the respondents with a request to complete the questionnaire. The secondary data (mainly financial data) was extracted from the respondents' annual reports for the year ended December 31, 2016.

(2) Pilot Testing : The designed questionnaire was distributed to 10 companies to test the reliability of the questionnaire and to assess the level of their understanding of the survey questionnaire. This was done to ensure that all the relevant aspects of the study were included in the survey questionnaire. The basic purpose was to avoid any missing data and to add clarity and readability of the research instrument. The suggestions provided by the respondents were duly incorporated into the questionnaire, and accordingly, the questionnaire was improved before finally being distributed to the target groups.

Moreover, Wallace and Mellor (1988) suggested that a non-parametric test such as Kolmogorov - Smirnov two samples is considered appropriate for testing non-response bias. The test was performed on both early and late responses. However, no significant differences were found to exist between early and late responses. The study is the descriptive type of survey, and it deploys descriptive statistical analysis.

Analysis and Results

(1) Characteristics of the Respondents : The Table 4 shows the position of the respondents. From the 150 surveys distributed, a total of 50 questionnaires (a response rate of 33.3%) from various industry sectors were received. The highest numbers of questionnaires were received from finance and consumer service industry, followed by property, manufacturing, consumer goods, telecommunications, etc.

Majority of the respondents (96%) who completed the questionnaires were senior managers and managers from accounting and finance functions. Only 4% of the respondents were the chief finance officers (CFOs) and chief executive officers (CEOs). These respondents represented various industries such as manufacturing, construction, retail, property development, banking, and telecommunication. Regarding the experience of the respondents, 96% of the respondents had experience of more than 5 years in the company. The result is similar to the survey findings in Italy on IR, in which 88.1% of the respondents had an experience of more than 5 years in their companies (Gasperini & Doni, 2016).

Respondents' awareness towards the integrated reporting framework was also investigated. Results in Table 4 indicate that 60% of them were aware of the integrated reporting framework which was published by International Integrated Reporting Council in 2010. The results show that level of awareness of the respondents towards IIRF

Table 4. Characteristics of the Respondents

a. Type of Firm	Frequency	%
Finance	9	6.0
Properties	7	4.67
Manufacturing	6	4
Telecommunication	5	3.33
Consumer Goods	6	4
Consumer Services	9	6
Construction	3	2
Food and Beverages	1	0.67
Hotel	1	0.67
Industrial	1	0.67
Plantation	1	0.67
Utilities	1	0.67
Total	50	100.0
b. Position		
CEO	1	2.0
CFO	1	2.0
Others	48	96.0
Total	50	100.0

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c. Experience		
Less than 5 years	2	4.0
5 to 10 years	14	28.0
11 to 20 years	19	38.0
More than 20 years	15	30.0
Total	50	100.0
d. Adoption of Integrated Reporting		
Yes	0	0.0
No	50	100.0
Total	50	100.0
e. Awareness Towards Integrated Reporting Framework		
Yes	30	60.0
No	20	40.0
Total	50	100.0

was mediocre and it is in line with the findings of Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, which showed that 51.4% of the corporate report preparers and 58.4% of the non-reporters were aware of the integrated reporting framework.

(2) Awareness Towards Integrated Reporting : A perusal of Table 5 reveals that 68% of the total sample admitted that they knew what IR is. Regarding the level of knowledge, 42% of the respondents had average knowledge about IR ; while, 32% perceived that they did not have any knowledge of IR. Only 10% had an in-depth knowledge of IR. These findings are in line with the results obtained by Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) and Institute of Singapore Chartered Accountants & National University of Singapore (2014). The survey findings of Institute of Singapore Chartered Accountants & National University of Singapore (2014) for Singapore reported a low level of knowledge of IR, as just half of the respondents had an

Table 5.Level of Awareness About IR

a. Awareness on Integrated Reporting	Frequency	%
Yes	34	68.0
No	16	32.0
Total	50	100.0
b. Knowledge on Integrated Reporting		
No knowledge	16	32.0
Little knowledge	8	16.0
Some knowledge	21	42.0
Good knowledge	0	0.0
In depth knowledge	5	10.0
Total	50	100.0

in-depth knowledge of the IR framework. In the open ended replies, a few respondents acknowledged that they were willing to learn more about IR.

(3) Adoption of Integrated Reporting : In our survey, none of the companies who responded to the questionnaire had adopted IR so far. The possible reasons for this non-adoption may be lack of knowledge on IR, or perhaps they might not be aware that their exiting financial reporting may have included some part of IR. Evidence also shows that the respondents anticipated challenges in adopting IR. Cost factor, lack of guidance, lack of proper information systems to produce IR, and the fear of divulging market and price sensitive information may be the other reasons (Institute of Singapore Chartered Accountants & National University of Singapore, 2014 ; Malaysia Institute of Accountants & Association of Chartered Certified Accountants, 2016). However, the respondents provided the likely time frame of IR adoption. The results of the same are presented in the Table 6.

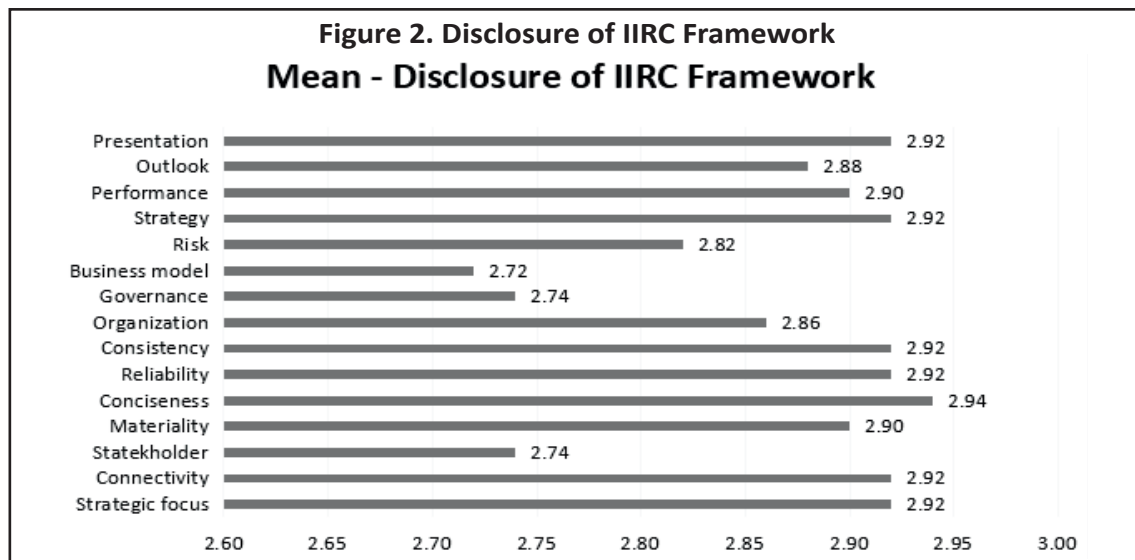
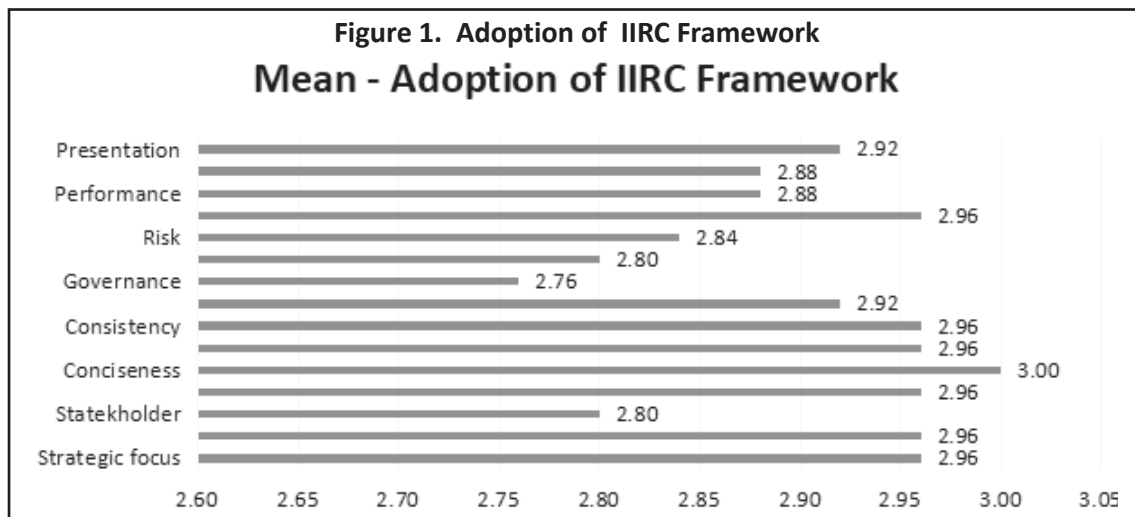
A perusal of the results (Table 6) shows that 28 (56%) companies stated that their management was currently considering the adoption of IR as a financial reporting mechanism, while 44% of them stated that they did not have any idea about it. This finding seems to be in line with the findings of Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, in which 53% of the respondents stated they knew that their companies were considering adopting IR as part of their corporate reporting ; whereas, in Singapore, the evidence showed that 71% of the companies were considering to adopt IR.

Furthermore, the Figure 1 presents the perceptions of the respondents on adoption of International Integrated Reporting Council framework and possible disclosure of information in the annual reports. The findings show the mean status of the adoption of the International Integrated Reporting Council framework. Based on the Figure 1, it can be seen that the mean for conciseness is 3.00. Companies that were considering adopting IR perhaps thought that conciseness framework is more important in the IR and it can be adopted to a very large extent. Followed by 2.96 mean for consistency, reliability, materiality, connectivity, and strategic focus, the framework would be the second important priority in IR.

Besides, another question asked to the respondents was to what extent the information on components of IR framework may be disclosed in the annual reports. The Figure 2 shows the mean status for the disclosure of International Integrated Reporting Council framework. The respondents perceived that various components may be disclosed in annual reports. The highest mean value is for conciseness (2.94), followed by presentation, strategy, consistency, reliability, connectivity, and strategic focus of the framework, which show a mean of 2.92.

Table 6. Adoption of Integrated Reporting

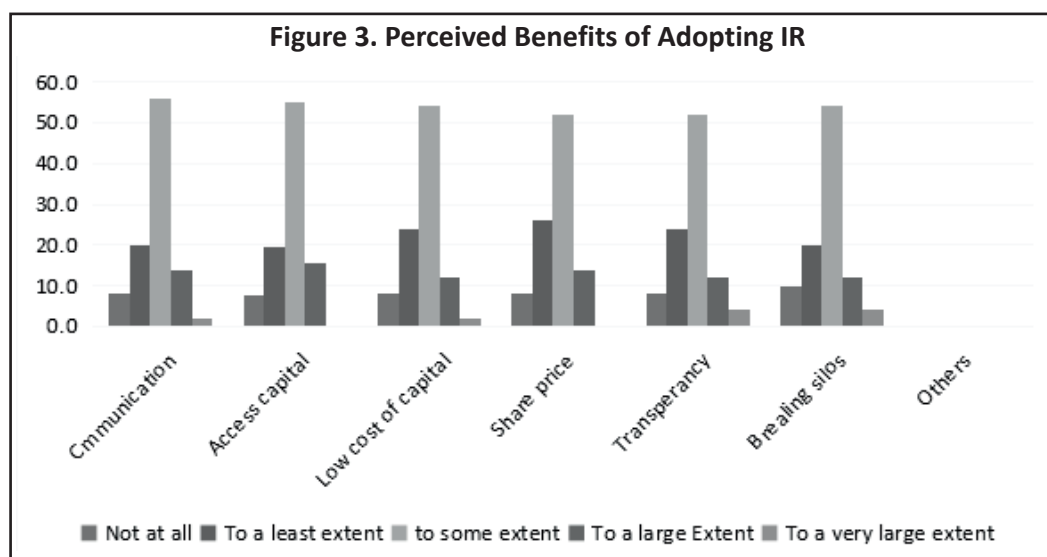
a. Time Frame of Adoption	Frequency	%
Currently considering	28	56.0
After 1 year	0	0.0
After 2 years	0	0.0
After 3 years	0	0.0
No idea	22	44.0
Total	50	100.0
b. Authority and Decision to Adopt		
Board of director	35	70.0
Budget committee	1	2.0
CFO	14	28.0
Total	50	100.0



The respondents also acknowledged that the information on performance and materiality components of the framework may also be disclosed to some extent. Therefore, it may be stated that once the companies adopt and implement IR, information on various components of the framework may be disclosed in the annual reports without much problem.

(4) Benefits of Integrated Reporting : The respondents were asked about the perceived benefits of adopting IR based on the communication, access to capital, lower cost of capital, share price, transparency, breaking silos, and others. The result are presented in the Figure 3.

Most of the respondents saw the increased benefits the companies will gain from adopting IR. Only 4% of them believed that their company will gain to a very large extent ; whereas, 12% to 16% thought that they will gain not to a very large, but somewhat to a large extent. Less than 30% perceived that the company would only receive a very low benefit. In the Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, 85.6% of the respondents believed that by adopting IR, they can improve transparency and



governance in reporting ; whereas, 82.8% thought that IR could help them to improve communication with the external shareholder. Not only that, 58.9% of the respondents perceived that by adopting IR, they would be able to promote integrated thinking through breaking silos within the organization (Malaysia Institute of Accountants & Association of Chartered Certified Accountants , 2016).

Table 7. Costs of IR Adoption

a. Regulatory Compliance Cost	Frequency	%
Not at all	7	14.0
Will increase to a least extent	5	10.0
Neutral	27	54.0
Will increase to large extent	10	20.0
Will increase to a very large extent	1	2.0
Total	50	100.0
b. Operational Cost		
Not at all	6	12.0
Will increase to a least extent	5	10.0
Neutral	28	56.0
Will increase to large extent	8	16.0
Will increase to a very large extent	3	6.0
Total	50	100.0
c. Impact to Profitability		
Not at all	2	4.0
Will increase to a least extent	10	20.0
Neutral	26	52.0
Will increase to large extent	5	10.0
Will increase to a very large extent	7	14.0
Total	50	100.0

(5) Costs of Adopting Integrated Reporting : The respondents were also asked in the questionnaire to respond to the costs of adopting of IR on regulatory compliance, operations, and profitability of their companies. The responses are presented in the Table 7. The Table 7 shows that more than half of the respondents remained indifferent (neutral category) and were not sure whether adoption of IR may have any definite effect on the organizations' regulatory compliance, risk, and profitability, respectively. Also, more than 20% believed that either the effect will be not at all or to the least extent. The Table 7 presents the responses of the effect of the adoption and implementation of IR on operational costs of the firms. More than half of the total respondents remained indifferent, and they perceived that by adopting IR, there might not be much impact on operational costs of the organization. Only a meagre percentage (16%) of the respondents perceived that there would be an increase in the operations costs of the organization when IR is implemented. About 6% of the respondents perceived that there would be a huge effect. On the other hand, about 22% stated that there will be either no effect or least effect of IR implementation on the organization's operations costs. Therefore, these findings do not support the survey findings of International Integrated Reporting Council (2015) in which 68% of the respondents stated that IR provided a better understanding of the business risks and opportunities. Moolman, Berholzer, and Steyn (2016) found that IR has driven limited change in the disclosure of risks and opportunities in organizations.

Furthermore, the Table 7 also shows the responses of the respondents regarding the effect of IR on profitability. Again, there was a tendency among the respondents to provide neutral responses to this question as 52% of them perceived that by adopting IR, the profitability of the organization will not be affected. Among the respondents, 14% stated that profitability will increase to a very large extent, and 10% stated to a large extent. On the other hand, 20% of them perceived that adopting of IR will affect the organization's profitability to the least extent. Considering that a major percentage of the respondents remained neutral ; hence, the respondents were not sure of the definite effects of IR adoption on regulatory compliance, operations, and market risks & profitability. The whole analysis showed that the respondents in the present study were not very sure of what effect IR adoption and implementation would bring in their organizations. One of the reasons may be the low level awareness and lack of in depth knowledge of the respondents about IR.

(6) Training Requirements for Integrated Reporting : Training is an important input in the implementation of IR. Therefore, to understand the duration and comprehensiveness of training needed for the executives to prepare the IR based upon the IIRC framework, the responses are presented in the Table 8. The majority of the respondents (44%) believed that a three-day training would be needed before the implementation of IR, while 32% of the respondents suggested that at least one week or more duration of training would be needed. Perhaps, they had an intention to get to know and familiarize about IR in-depth. When compared to the findings of the Malaysia Institute of Accountants & Association of Chartered Certified Accountants (2016) survey, majority (62.1%) of the respondents believed that training should be provided to obtain knowledge and skills for the members of reporting to understand the process of preparing an IR fully.

Table 8. Number of Training Days

Number of Training Days	Frequency	%
Two days	12	24.0
Three days	22	44.0
One week	8	16.0
More than one week	8	16.0
Total	50	100.0

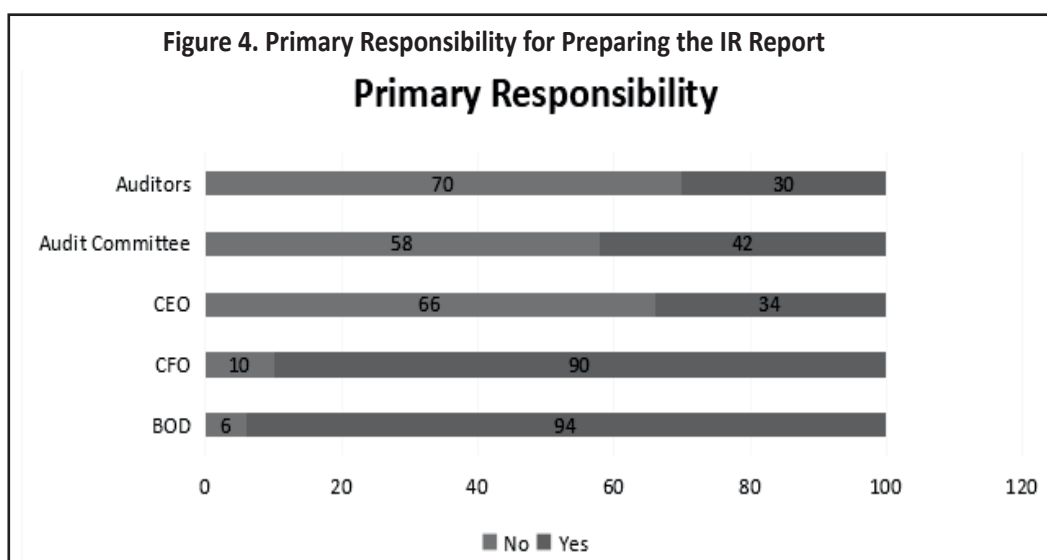


Table 9. Agency/Institution for Monitoring IR Implementation

Agency	Frequency	%
Market driven	0	0
Regulatory driven e.g. Securities Commission	0	0
International Integrated Reporting Council (IIRC)	2	4.0
Malaysian Institute of Accountants (MIA)	25	50.0
Bursa Malaysia	23	46.0
Total	50	100.0

(7) Preparation Towards Adoption of Integrated Reporting : The Figure 4 shows that the primary responsibility for implementation of IR lay with BOD in conjunction with CFO as more than 90% of the respondents stated so. Audit Committee, Chief Executive Officer (CEO), and Auditors had an average role to play in this process. In the previous survey of Institute of Singapore Chartered Accountants & National University of Singapore (2014), 68.9% of the respondents chose the CFO as the primary person responsible for the preparation of IR as the weight of the financial report is the financial information, even though the financial report contains non-financial information.

With regard to the issue related to which agency or institution should be responsible for monitoring the implementation of IR in Malaysia, the respondents' responses are presented in the Table 9. The respondents were asked that if IR is to be implemented in Malaysia, which agency or institution should be responsible for its enforcement/monitoring. Half of the respondents thought that since this is a new way of financial reporting, the Malaysian Institute of Accountants should be the best agency responsible for the enforcement. Additionally, 46% also stated that the enforcement should be maintained with Bursa Malaysia. Only 4% were of the view that the enforcement should be parked under IIR and none favored regulatory driven enforcement. The survey of Institute of Singapore Chartered Accountants & National University of Singapore (2014) observed mixed findings, as some favoured market driven enforcement (35.6%), while others favoured regulatorily driven enforcement (24.4%).

Conclusion and Implications

It seems that IR may be becoming popular among companies for their financial reporting purposes. A few surveys from other countries such as Singapore, Italy, Germany, South Africa, etc. showed that many companies have already adopted IR, and others are in the process to implement it; whereas, in Malaysia, IR, though still new, the level of awareness and knowledge level is low, and no company has yet adopted it. Of course, our survey shows that 56% of the companies were currently considering it, which shows that the interest in IR is increasing.

IR will become known among companies in Malaysia, and this may lead them to adopt IR as their new financial reporting method in the near future. Extensive efforts require public discussions, seminars, conferences, and workshops, which will help in enhancing their awareness and level of knowledge.

In this survey, the respondents stated that Malaysia Institute of Accountants should be the leading agency for enforcement of IR in Malaysia and gradually, IR should be made a mandatory requirement for financial reporting. The ripple effect of IR may be evident in the long term. Another implication may be related to the implementation of IR and the need to incorporate compliance methodologies into performance and assurance frameworks (Klynveld Peat Marwick Goerdeler (KPMG), 2014). Assurance service providers may have to combine IR with existing regulatory requirements on annual reports. However, there may also be a need for regulatory bodies to change their auditing standards.

Limitations of the Study and Directions for Future Research

IR is a very new to Malaysia and also globally. There are limited surveys or research studies conducted so far on IR. This study has used the questionnaire method and responses were limited to 50 only. A simple generalized questionnaire was developed based on the previous survey findings. This limited an in-depth study on IR as the level of awareness among the companies was at a very low level. A technical questionnaire would not have been a good choice because it may have limited the respondents to respond to the survey.

One of the limitations of this study is that the sample size is relatively small. Based on the sample size of 150 target companies, only 50 companies responded to the survey, though this may be considered as a reasonable size for this type of study as the awareness level on IR is low. Furthermore, the survey questionnaires were completed by senior managers and managers of the sample companies. They are financial report preparers and not decision makers for the companies. This could be one of the limitations that caused the level of awareness to be low. Probably, the decision to adopt IR as a financial reporting tool was not discussed by the decision makers or the top management, and the respondents might not want to share the uncertified information in the survey that has been conducted.

The recommendations for future studies are: first, studies should consider larger sampling size to increase the response rates and change the method of the survey to improve the accuracy of the study. Additionally, qualitative research using interview method or case studies to have a deeper investigation of the issues such as knowledge level of the participants, when their management decides to adopt IR, what changes in their internal accounting and reporting systems would be required, and problems to be faced by them may be undertaken.

Furthermore, it is suggested that the future research should include more technical questions in the survey questionnaire as an add-on to the generalized questionnaire. By then, the respondents should be already aware of the IR as a reporting tool, and this may help the respondents to get to know more about the technical part of the IR. Since the findings from this survey indicated that the primary responsibility for preparing the IR is on BOD and CFO, it may be suggested that future research should be targeted to BODs and CFOs who should complete the survey questionnaire. This is because they would know better on IR status in their companies as they are the decision makers and responsible persons for the financial reporting. Moreover, the output of the survey result

would be more accurate and reliable for the research studies in the future. Last but not the least, empirical studies on the determinants of IR adoption and implementations may also be undertaken. Another possibility may be to study the association between IR and stock prices under different market contexts as well as the relationship between IR and elements of corporate governance.

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