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A Study of Stakeholders' Positioning on Information Materiality and Accountability in the Integrated Report

Abstract

Objective: The objective in this study is to identify, in an individualized manner, the position each participant adopts in the elaboration process of the Integrated Report (IR) during the Consultation Draft phase and if this positioning is similar to that adopted by others who identified themselves similarly.
Method: 224 comment letters were read, which were coded according to the positioning and justification each sender presented. Chi-square statistics were used to determine the association between senders and the independence among different groups.
Results: The results found show that the stakeholders, except for the financial capital providers, tended to disagree from the concept of materiality suggested by the International Integrated Reporting Council (IIRC). It was verified that most companies did not resist, taking on responsibility for the information disseminated in the IR.
Contributions: This study identified that the IR was elaborated to respond to the investors, pushing the interests of groups more focused on sustainability into second place, as the other stakeholders were not represented, as the integration the IR aims for was not considered as something broad, which is why, in principle, it would not demand great operational changes from the companies to accept the IR.
Key words: Materiality, Accountability, Governance.

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1. Introduction

From April to July 2013, the International Integrated Reporting Council (IIRC) discussed what was to be the draft of the Integrated Reporting Framework (IR), through the Consultation Draft of the International <IR> Framework, in the stage called Consultation Draft. This was the second consultation open to the international community, receiving 359 responses from all over the world (IIRC, 2013a). These responses came from various stakeholder groups such as academics, accountancy professionals, assurance providers, analysts, individuals, labor representatives, organizations, non-governmental organizations, policy makers, regulators and standard setters, professional bodies - accounting, professional bodies - other, providers of financial capital, report preparers and others. Finally, after this second stage, five months later, in December 2013, the International Integrated Reporting Framework (IIRC, 2013b) was released to the international community.

IR came up with the objective of harmonizing sustainability information with what was evidenced in the financial statements. According to Carvalho and Kassai (2014), IR, if it achieves its intended objective, will be the instrument that will revolutionize Accounting, as it will change the way the company will communicate its value. What distinguishes IR from other sustainability reports is the concept of several capitals the framework works with and the way in which it seeks to reconcile these other capitals with financial capital (Fasan; Mio & Pauluzzo, 2016). Thus, capital such as manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital can relate to financial capital. IR has received a number of supporters around the world, one of the most notable being the Prince of Wales, also being cited as a necessary and desirable means of communication by the United Nations (UN) at Rio + 20.

Although IR has supporters, there are also critics. Researchers such as Flower (2015) and Thomson (2015) criticize the way in which the framework was conceived and consider that the IIRC subjected the IR not to the sustainability demands, but to the interests of the financial capital, thus rejecting the public interest in favor of the interest of financial capital. IR already being a report adopted by several companies and used by various stakeholders around the world, identifying what interests it actually serves is extremely complex.

Greater attention should be given to the process of elaborating the IR, as it was during the elaboration of the IR that the IIRC identified the interests of each individual or group that participated in the process of preparing the document. Watts and Zimmerman (1978) report that the simplest way of identifying what interests an accounting rule serves is during its elaboration process, through the study of lobbying by each stakeholder and the way that party attempts to influence the legislator. Thus, it is during the process of setting a standard that the designer identifies the interests of each group and determines which groups the standard will privilege. The identification of interests occurs through the lobbying process and is easier to visualize when it takes place in the form of public consultations, which was the case with the main accounting regulators and which was also adopted by the IIRC.

These public consultation processes are already known by Accounting, as several studies have already proposed to analyze the disclosure process of accounting standards, such as: Orens, Jorissen, Lybaert and Tas (2011), Giner and Arce (2012) and Demaria, Dufour, Louisylouis and Luu (2012), who analyzed lobbying in the context of the International Accounting Standards Board (IASB). Studies on the lobbying process are important because, according to Sutton (1984), only stakeholders will conclude that the potential benefits generated by their participation exceed the costs of participating, taking into account the probability of influencing the outcome. Thus, stakeholder groups in general will be acting in a way that seeks to maximize their interests in the so-called rational choice model of the lobby (Sutton, 1984).

When designing IR, the IIRC chose to go through several processes also adopted by the Financial Accounting Standards Board (Fasb) and Iasb, such as two stages of public consultation. IR has a peculiar characteristic though as, unlike a regulation that is imposed, the company voluntarily adheres to IR and its non-compliance at a future date does not imply a legal sanction for the company; in addition, the framework aims to ensure that all material information, whether good or bad, is disclosed by those responsible through the company's governance, who should also be held accountable (IIRC, 2013b; Reuter, Messner, 2015). Following the theory of Voluntary Disclosure, the absence of regulation allows both disclosure and credibility of this material information to undergo analysis and scrutiny by the market, its main agents being providers of financial capital (Healy & Palepu, 2001; Ling & Mowen, 2013).

Thus, this study analyzed lobbying by stakeholders during the IR Consultation Draft stage, in search of a better understanding of this political process, and will address the following question: **What was the position taken by each stakeholder group during the Consultation Draft stage in the elaboration of IR?** The purpose of this study is to identify, in the Consultation Draft process of Integrated Reporting, the positioning each participant adopted and whether the other participants who had common characteristics adopted the same positioning. It is important to study the stakeholders' positioning as studies such as Flower (2015), Thomson (2015) and Gibassier, Rodrigue and Arjaliès (2018) conclude that, in its operation, IR did not meet the stakeholders' wishes and that the integration advocated by the IIRC was but a popular myth that is accepted by all but does not serve sustainability. Thus, the motivation to research about IR lies in the possible benefits this report can bring to society by disseminating new information and presenting the company holistically.

Issues related to sustainability are relevant, as they help to reduce negative externalities companies cause in society, being one of the possible measures they adopt in the search for legitimacy, market differential and increased economic value. This research is justified because, although studies on lobbying in corporate reports have existed in the field of Accounting since Watts's seminal work (1977), only the study by Reuter and Messner (2015) has addressed the topic of lobbying in relation to IR. Reuter and Messner (2015) focused on early-stage lobbying in the Discussion Paper stage though and did not focus on the materiality and accountability of information in IR. This study will focus on lobbying in the Consultation Draft stage as, during this stage, stakeholders had already demonstrated their interests in the previous phase and already had signs, through the publication of the draft IR document, what interests the IIRC contemplated thus far.

2. Literature Review

In this section, the main studies and concepts underlying this study will be addressed. The literature review was divided into two parts: the first section will address the concept of materiality; presenting in IR its criticism and other concepts presented for the theme; and the second section will discuss accountability of information in IR, who should be held accountable for the information in the report, and which groups agreed or disagreed from the accountability suggested by the IIRC.

2.1 Materiality in IR

Integrated Reporting (IR) is a report or set of corporate reports that aims to communicate the organization's ability to create value over time (IIRC, 2013b). It contains both financial and non-financial information, and its main difference, according to Fasan, Mio and Pauluzzo (2016), is not in the reference - the concept of capitals. Capitals for IR are defined as "stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation" (IIRC, 2013b, p.11). The IR recognizes the existence of six types of capital, being: 1- financial capital; 2- manufactured capital; 3- intellectual capital; 4- human capital; 5- social and relationship capital; 6 - natural capital. Not all capitals may be relevant or applicable to all organizations (IIRC, 2013b).

On materiality, the IIRC defines it as "information on matters that substantively influence an organization's ability to generate value in the short, medium and long terms" (IIRC, 2013b, p.18). This concept of materiality, according to the IIRC (2013), contemplates the providers of financial capital, although it does not exclude the other stakeholders. According to Flower (2015) and Thomson (2015), however, the IIRC considers the former to be the main stakeholders in an organization's capacity to create value over time.

IR being voluntary in nature, however, even though it may include financial capital providers, this group may not identify the information it deems material in IR. This may be due to the fact that IR follows the same logic as other information and reports companies voluntarily disclosed as preparers. Healy and Palepu (2001) argue that voluntarily disclosed information will have its materiality validated after market analysis as users of the information, so it is not clear how the market will analyze whether information is material and credible.

Linthicum, Reitenga and Sanchez (2010) found something similar to Healy and Palepu (2001) in their study of the United States financial market at the time of the Enron crisis. The authors concluded that companies that voluntarily disclosed corporate social responsibility (CSR) information and had a high rating of that practice, evaluated by external bodies, nevertheless did not have their negative returns mitigated, as the market did not consider those practices credible due to the fact that these companies were audited by Arthur Andersen, the same firm that audited Enron. That is, the information the market judged as material was the audit firm the company belonged to, and not its good CSR practices validated by other external bodies. On the other hand, Beck, Dumay and Frost (2017) demonstrated that a company, which chose not to identify itself, used IR to legitimize itself to stakeholders after suffering a crisis of public trust, demonstrating that IR can contribute to enhance the company's image and pass credibility to the market.

The first point to be observed is whether the concept of materiality, which will serve as a premise to determine what is relevant for disclosure in RI, is in line with what the financial capital providers expect. This point leads to the formulation of the first hypothesis:

h_1: *Financial capital providers agree with the concept of materiality presented by the IIRC for IR.*

The means used to determine the positioning of financial capital providers and all stakeholders about the implications a concept or document might bring was through lobbying by senders of comment letters at the time the standard was elaborated (Sutton, 1984). Sutton (1984) assumes that a participant will only practice lobbying if the potential benefits generated by his participation exceed the costs incurred in participating, in view of the probability of influencing the outcome in the context of the uncertain environment the process is embedded in. For Watts and Zimmerman (1978), the definition of a standard implies which interests or views the regulator will choose between the different interests and viewpoints of the stakeholders in a political process.

In the field of accounting, Sutton (1984) adapted Downs' (1957) voting model in political science, which aimed to determine how each group would vote in an election and the justification, lobbying, used to support that position. For him, lobbying in the process of promulgating a norm and lobbying in the voting process have common characteristics, since in both cases the participant, if rational, must evaluate the other stakeholders and the lobbying exercised by them.

In Sutton's (1984) model, it is necessary to take into account those who practiced lobbying, since this author states that preparers tend to send more letters to the normalizing body than users of financial information. Jorissen, Lybaert, Orens and Tas (2012) - analyzed 3,234 letters sent to Iasb between 2002 and 2006 and found something similar: 44% of the total was sent by report preparers, while the users of the financial information sent only 15% of the total, that is, the preparers sent almost three times the number the letters compared to the users.

In the context of IR, Reuter and Messner (2015) argued that the same actors who usually lobby for financial reporting will not necessarily be found practicing lobbying at the IIRC. According to them, this is due to the fact that the idea of the integrated report is often associated not only with an economic dimension, but also with sustainability issues. The adoption of IR being voluntary, some actors who see benefits in lobbying for the elaboration of a standard that directly affects them will not necessarily find that motivation in IR (Reuter and Messner, 2015).

For those studies, Sutton (1984), Jorissen *et al.* (2012) and Reuter and Messner (2015) considered analysts, individual or group providers of financial capital as users, individual providers being the largest group of senders. The report preparers, then, were corporate and business organizations and banks, lobbying at the IIRC in isolation or as a group.

Another aspect about the preparers is that they are often resistant to voluntarily disclosing as much material information as possible to users (Ling & Mower, 2013). This may occur if preparers understand that the concept of materiality adopted by IR exposes them to a higher level of risk. In this sense, Ling and Mower (2013) argue that companies will only voluntarily disclose, be it economic, social or environmental information, if the expectation of future benefit of this information surpasses its possible costs. Otherwise, companies will be resistant in issuing on a voluntary basis material information that entails an increase in its cost of capital. On the other hand, the study by Zhou, Simnett and Green (2017) showed that companies listed on the Johannesburg stock exchange, South Africa, had their cost of capital reduced due to information presented via IR, this report being one of the practices good governance and transparency for financial analysts.

The rational model of lobbying by Sutton (1984) already foresaw that the preparers, if rational, would seek to influence the regulators in order to minimize the disclosure of material information, required by the standard, which entail the increase of possible costs; and would seek, inversely, to influence the regulator to approve something that maximizes its possible economic benefits. Thus, the preparers, during the conception of IR, could have adopted a position that would prevent them from disclosing more material information, preventing an increase in their cost of capital. In order to verify the position adopted by the preparers, the following hypothesis was adopted:

h$_2$: *The preparers proved resistant to the concept of materiality presented by the IIRC.*

In relation to the second hypothesis, another point that will be considered is the justifications presented by the preparers. Something similar was done by Reuter and Mesner (2015). This measure is intended to assess whether the justifications presented by the preparers who disagree from the IIRC concept on materiality rely on predominantly conceptual or economic issues. For Sutton (1984), the justification the lobbyist presented to the regulator is important because it will be through him that the lobbyist will try to influence the decision of the regulator.

Still on the concept of materiality, Gibassier, Rodrigue and Arjaliès (2018) consider that the IR was unable to integrate the information, because they consider that there is a great separation between what is wanted and what is, in fact, reflected in the IR, making the integration proposed by the report is nothing more than a myth accepted by all, but not proven by science. Researchers such as Flower (2015) and Thomson (2015) argue that the integration proposed by IR will not be possible as long as the IIRC places financial capital providers as the main stakeholders in IR. According to them, this definition does not address what is material to most stakeholders.

In this respect, Gray (2006) argues that it is erroneous to think that value creation for investors produces value creation for all stakeholders, requiring only a conflict of interest between providers of financial capital and other stakeholders to make it clear that value creation for the former does not encompass the creation of value for all stakeholders. For Gray (2006), Searcy and Buslovich (2014) and Flower (2015), the engagement of all stakeholders in the company's operational routine that will evaluate which items will be considered as material. According to Gray and Bebbington (2000), materiality means the determination by stakeholders in its broad sense of what information and data should be included in the reports. Another concept of materiality is defined by the G4 (2013), which exposes that materiality is any truly critical issue to achieve the objectives of the organization and manage its impact on society.

In view of other concepts that define materiality, the third hypothesis addressed in this study aims to verify if most of the stakeholders who sent answers to the IIRC on this issue disagree from the concept of materiality presented by the IIRC:

h$_3$: *Other stakeholders, excluding report preparers and financial capital preparers, disagree from the IIRC concept of materiality.*

2.2 Accountability for the information disclosed in IR

A practice followed by companies that adopted the voluntary disclosure of material information, according to Roychowdhury and Sletten (2012), is the management of bad news. Business managers tend to delay the spread of bad news, awaiting favorable news so that the effect of this good news equals or outweighs the effect of bad news, or until they are able to provide reliable estimates of its possible effects (Roychowdhury; Sletten, 2013).

Similarly, however narrowly, Bewley and Li (2000) argue that companies prone to a higher level of pollution tend to give more general and less material voluntary information. The separation of the firms with the highest propensity to pollute adopted by Bewley and Li (2000) was the same used by Li, Richardson and Thorton (1997), in which companies more prone to pollute are those that act in the chemical, oil, paper and pulp and primary metal industries.

One possible way out to avoid generic information and to hold the preparers accountable would be to regulate IR in the financial markets. Stubbs and Higgins (2018), however, in analyzing stakeholder perspectives on the role of a regulatory reform for IR, have identified that stakeholders want the report to advance further in content and in spontaneous acceptance by more preparers to be able to reach a regulation. Although not regulated, however, the IIRC indicates that the disclosure or omission of any material information in IR is the responsibility of the company's governance, whether that information is good or bad (IIRC, 2013b).

Another point is that, despite material, the information disclosed in IR may have different levels of validation, as the IIRC (2013a) itself highlights for example: the information contained in the financial capital is validated following the regulation of the government or the securities commission, besides going through external auditing; on the other hand, information on sustainability, such as human and social capital, can be disclosed without necessarily going through some kind of previous validation.

Thus, one measure proposed by the IIRC as a way of validating the information contained in the IR was the request for a declaration of responsibility for the information contained therein issued by those responsible for the governance of the organizations (IIRC, 2013c). In this regard, the IIRC argued that, among the grounds for opposition to this corporate responsibility statement was that such a measure could entail possible legal implications for its managers (IIRC, 2013a).

Despite the IIRC's reports of companies opposition to this measure, the IIRC included in IR item 3.41 that those in charge of governance "are responsible for ensuring effective leadership and decision making on the preparation and submission of an integrated report" (IIRC, 2013b, p.21), thus making governance accountable for the preparation and disclosure of information presented in IR.

And as a corrective measure to inhibit any legal implication, the framework also admitted that it would be up to the company management to assess the reliability of information in case of unavailability of reliable information or legal prohibitions. The framework instructs that an integrated report should indicate the nature and explain the reason for omitting this information and, in case of unavailability of the data, the measures to be taken should be identified and the expected timeframes for obtaining the information in a reliable manner (IIRC, 2013b). Thus, the IIRC, despite holding corporate governance accountable, also to some extent admitted that those in charge of governance could continue to evaluate what information IR should contain.

As those responsible for corporate governance tend to manage the news that will be disclosed to the market and the IIRC has stated that there were companies opposed to that measure so as not to hold their governance accountable, the fourth and fifth hypothesis considered in this study are that:

h_4: *Most companies were resilient to hold governance accountable for information in IR. (Broad sense)*

h_5: *Companies prone to a higher level of pollution were resistant to hold governance accountable for the information in the IR. (Strict sense)*

Another measure suggested by the IIRC was that companies should hire an external audit as a way to increase the validity of the information in the IR. The IIRC recognized the importance of auditing the entire IR and, although the framework does not make such an imposition, it says in paragraph 3.42 that the audit during the preparation of IR helps those in charge of company governance to assess whether the information presented is sufficiently reliable (IIRC, 2013b).

Jorissen *et al.* (2012) argue that accounting professionals and firms are active members in the lobbying process of accounting standards, mainly when the development process of the standard is in the final exposure draft stage. In this respect, Puro (1984) argues that the Accounting companies tend to lobby in favor of standards that expand their service demand. In agreement, Reuter and Messner (2015) argue that large Accounting companies' publications in favor of IR indicate that they want this report to be audited (Pricewaterhousecoopers, 2012; KPMG, 2012; Deloitte & Touche, 2011; Ernst & Young, 2011). According to Reuter and Messner (2015), the Accounting companies will benefit from a new market for consulting and audit services of integrated reports. Thus, the Accounting companies can act to agree that the IR holds the corporate governance accountable as, thus, the companies themselves will demand the audit and consulting services for IR, in order to dilute or minimize any possible error for which responsibility can be attributed to the corporate governance responsibles (Reuter; Messner, 2015). Another positive point of this measure is that the Accounting companies would not be held directly responsible for the IR information. Thus, the sixth hypothesis is that:

h_6: *The Accounting companies agreed to hold the corporate governance responsible for the information in IR.*

3. Method

In this section, the population and sample considered by this study will be presented. The criteria used for the data analysis and the statistical test considered are also presented.

3.1 Population and sample

The population of this study included the 359 comment letters sent by the IIRC's respondents during the Consultation Draft stage. The target population was outlined according to respondents who answered questions 11 and 17 of the Consultation Draft, namely:

Q11: *Do you agree with this approach to materiality? If not, what would you change?* (IIRC, 2013c, p.1)

Q17: *Should there be a requirement for those responsible for governance to include a statement acknowledging their responsibility for the integrated report? Why / Why not?* (IIRC, 2013c, p.2)

The analysis of the eleventh question (Q11) aims to answer the questions raised in hypotheses h1, h2, h3, while the analysis of the seventeenth question aims to respond to hypotheses h4, h5, h6.

Regarding the respondents, 287 letters, corresponding to 80% of the total number of letters sent, responded to Q11; while Q17 was answered by 73% of the total population, which is equivalent to 262 letters.

In order to determine the sample, the letters sent to the IIRC whose sender did not identify which group of stakeholders and economic sector he belonged to, were excluded from the target population; this same criterion was used by Georgiou (2010) and Tunico and Rodrigues (2016). All respondents who informed not belonging to any group or sector were kept in the sample because it did not apply or because some other group or sector different from those made available by the IIRC were named. Thus, the sample considered for Q11 consisted of 215 comment letters, against 200 letters for Q17, which corresponds to 75% and 76% of the total number of senders who responded to questions 11 and 17, respectively.

3.2 Criteria for data analysis

When adding up the senders of questions 11 and 17, it was verified that 191 letters answered both questions; 24 senders responded only to Q11 and nine letters dealt only with Q17. When adding up the respondents of the two questions, the total number of letters being analyzed was 224.

Questions 11 and 17 of these 224 letters were analyzed according to their level of agreement. The senders who disagreed totally or partially from the concept presented by the IIRC, for each question, were classified as "divergent"; in the opposite way, the senders who totally accepted what was proposed by the IIRC, for each question, were classified as "convergent".

Next, the justification presented by each group that was considered in the IR draft prepared by the IIRC was analyzed. This type of analysis was adapted based on the work of Reuter and Messner (2015), Giner and Arce (2012) and Stenka and Taylor (2010). The justifications presented were classified as: 1 - economic, when the sender predominantly mentions possible economic costs or benefits for justification; and 2 - conceptual, when the sender predominantly discusses concepts and theories in his justification (Reuter and Messner, 2015).

Finally, in addition to identifying those that differed statistically from the concepts presented by the IIRC and the nature of their justification, it was analyzed among the divergent respondents, whom or what groups, in their opinion, the company should target.

3.3 Statistical test

The Non-Parametric Statistical test was applied to answer each hypothesis raised in this study. Non-Parametric Statistics is indicated because it does not depend on population parameters, and the Chi-Square (χ^2) test of Goodness of Fit is the means used to determine if there is a statistically significant relationship between qualitative variables (Kraska-Miller, 2014), which is given by:

Equation 1: Chi-square

$$\chi^2 = \Sigma \frac{(\mathbf{O} - \mathbf{E})^2}{\mathbf{E}}$$

Source: Kraska-Miller (2014)

Where:
χ^2 – Chi-square;
O – Frequency of observed values;
E – Frequency of expected values.

The frequency of expected values for the Chi-square test of Goodness of Fit is given by dividing the total number of observations by the total number of categories considered. As two categories will be considered, the expected value will be half of the total observations.

For Kraska-Miller (2014) and Siegel (1957), the χ^2 Goodness-of-Fit test is effective in determining whether the frequency of responses within a group can be considered statistically homogeneous. This test was also applied in the study by Reuter and Messner (2015), which dealt with lobbying in the initial stage of IR.

The χ^2 Goodness-of-Fit test consists of comparing the sum of the frequency of the value observed in the population "O" by the frequency of the expected value "E". A higher frequency of the observed value in relation to the expected value indicates a tendency in the responses of a given group. This trend will have to be validated through the p-value analysis. For this study, a significance level of 5% was adopted, that is, only those trends that have a p-value below 5% will be considered statistically significant. The degree of freedom (gl) for the chi - square test was given by: (t - 1) x (c - 1), "t" representing the number of rows and "c" the number of columns in a matrix CxT: 2x2, which results in gl = 1.

The χ^2 independence test was also performed for item 4.2.2, which aimed to identify the independence between two different populations. The Independence test uses the same formula, concept and interpretation of the χ^2 Goodness-of-Fit test.

4. Results

The results were divided in two groups. The first group, item 4.1, will present and discuss the positioning the stakeholders adopted in relation to the materiality proposal suggested by the IIRC. The second group, item 4.2, will focus on discussing the results found on the accountability of the information contained in the IR.

4.1 Materiality in IR

The result obtained on the positioning adopted by each group of stakeholders in relation to materiality was divided and discussed in topics according to the group considered.

4.1.1 Suppliers of financial capital

Regarding the level of agreement of the financial capital providers on the concept of materiality presented by the IIRC, of the 215 senders considered in this study who responded to Q11, 19 were denominated financial capital providers. In terms of geographical region, 5% were active in Africa, 5% in Central and South America, 5% in the Middle East, 5% in Oceania, 16% in North America, 16% in global operations and 47% in Western Europe.

Table 1
Providers of financial capital (investors)

Agreement	Observed Number	Expected Number	Residue
Agree	13	9.5	3.5
Do not agree	6	9.5	-3.5
Total	19	–	–
Test statistics			
Chi-Square	2.579[a]		
Degrees of freedom	1		
P-value	0.108		
Exact significance	0.167		
Point probability	0.104		

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The value frequency expected in the test was 9.5 and the value frequency observed was 13 for convergent and 6 for divergent respondents. The χ^2 test was equal to 2.579 for gl = 1 and p-value = 0.108. Based on the results presented by χ^2, a trend can be identified of capital providers who do not reject the concept presented by the IIRC, as the value frequency observed by those categorized as convergent was higher than the expected frequency. Although the test indicates a trend between the IIRC concept and the financial capital providers' expectations, this trend was not statistically significant as the p-value was higher than 5%. Thus, h_1 that financial capital providers agree with the concept of materiality the IIRC presented for IR cannot be validated.

Most financial capital providers agreed that they were the main stakeholders in IR. Among the arguments they agreed with, some capital providers drew attention to the fact that the Global Reporting Initiative (GRI), through its sustainability report, also guided its concept of materiality to first consider the investors. The providers who were opposed argued a greater participation of the other stakeholders. In this respect, the sender Element Investiment (2013) suggested that the materiality definition process should properly include all key stakeholders interested in the organization, without privileging the capital providers only.

The fact that investors mostly agree with the concept of materiality proposed for IR makes the argument of Flower (2015) and Thomson (2015) gain support, that is, the IR sought to privilege capital providers in its development. This group predominantly agreed with the proposed concept. The fact that it is not statistically significant may lie in the fact that the financial capital providers who witnessed that their interests had already been covered in the IR draft did not have sufficient stimuli to perform lobbying.

4.1.2 Report Preparers

On h2, the report preparers proved resistant to the IIRC concept of materiality. Eighty-two senders were considered who identified with this category. The geographic regions of these report preparers were 4% Eastern Europe, 5% Africa, 5% Oceania, 9% Central and South America, 11% North America, 17% Asia, 20% Global and 30% of Western Europe.

Table 2
Financial statement preparers

Agreement	Observed Number	Expected Number	Residue
Agree	28	41.0	-13.0
Do not agree	54	41.0	13.0
Total	82	–	–
Test statistics			
Chi-Square		8,244[a]	
Degrees of freedom		1	
P-value		0.004	
Exact significance		0.005	
Point probability		0.003	

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected frequency for the test was 41 and the observed frequency was 54 cases as divergent against 28 convergent. The χ^2 test corresponded to 8.244 for gl=1 and p-value= 0.004. Hence, a statistically significant trend can be attributed to the preparers to reject the IIRC concept for IR, thus validating h_2. As the difference the report preparers presented for the IIRC materiality concept was statistically significant, a second analysis was elaborated to identify, among the divergent preparers, if they presented a predominant justification to oppose what the IIRC had presented.

Table 3
Justification presented by financial statement preparers

Justification	Observed Number	Expected Number	Residue
Economic	9	27.0	-18.0
Conceptual	45	27.0	18.0
Total	54	–	–
Test statistics			
Chi-Square		24,000[a]	
Degrees of freedom		1	
P-value		0.000	
Exact significance		0.000	
Point probability		0.000	

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

Among the 54 preparers who disagreed from the concept in the IR draft, 17% presented economic justifications, while 83% justified the disagreement conceptually. The expected frequency was 27 for both cases and the observed frequency was nine economic justifications and 45 conceptual justifications. The χ^2 test corresponded to 24.00 for gl=1 and p-value= 0.000, which reveals a trend among the report preparers who oppose the IIRC concept to adopt a conceptual justification.

And what the content of the divergence is concerned, as observed, among the 54 divergent preparers, 46 senders (or 85%) wanted a concept that better attended to the other stakeholders, besides the financial capital providers, while eight senders who disagreed, equivalent to 15% of the divergent preparers, lobbied in search of a concept closer to what Fasb and Iasb presented.

Table 4
The preparers argued that the concept better contemplates:

Beneficiaries	Observed Number	Expected Number	Residue
Investors	8	27.0	-19.0
Other stakeholders	46	27.0	19.0
Total	54	–	–
Test statistics			
Chi-Square		26,741[a]	
Degrees of freedom		1	
P-value		0.000	
Exact significance		0.000	
Point probability		0.000	

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The test considered the observed frequency for the divergence content of 27 for both cases and the χ^2 obtained was 26.741 for gl = 1 and p-value = 0.000. Thus, most of the preparers, by diverging from the concept of materiality presented by the IIRC, used conceptual justifications and had as objective that the concept of materiality contemplated better the other stakeholders, besides the suppliers of financial capital.

The result shows that most of the preparers did not agree with the concept of materiality, so they suggested changes to better contemplate the stakeholders. The sender The Media Group (2013) suggested that section 3.24 of the draft IR document be rewritten, stating that a topic is material when it is considered as such by senior management, financial capital providers and other stakeholders. Among the respondents who disagreed with economic justifications, they informed that the capital providers may disregard certain information that in the future may affect the company's value creation for other stakeholders.

This result is different from what was stated by Ling and Mower (2013) that firms were resistant to disclose more financial information. It is similar to what was argued by Reuter and Messner (2015) though, in that, as IR is not regulated, not necessarily implying legal and economic consequences, only the preparers who adopt a sustainability agenda would have a stimulus to participate in the IR drafting process. Beck, Dumay and Frost (2017) argue that the preparers tend to agree to defend the interests of other stakeholders as a form of legitimacy towards society, IR being the instrument for that visibility. Zhou, Simnett and Green (2017) and Gibassier, Rodrigue and Arjaliès (2018) skeptically evaluate the interest of companies in defending the other stakeholders. For them, organizations can implement IR without there being any integration among the different parts of the company, a myth companies accept and disclose to achieve benefits such as a lower cost of capital.

4.1.3 Stakeholders and materiality

In this session, it was analyzed whether the other stakeholders, excluding the financial capital providers and report preparers, disagree from the concept of materiality presented by the IIRC. The other stakeholders are 114 senders and their percentages were: 1% labor representatives, 2% accounting professionals, 5% market analysts, 6% other users, 6% policy makers, regulators and standard setters, 7% individual financial capital providers, 10% academic, 11% guarantee providers, 11% non-governmental organization, 12% professional bodies - Accounting, 14% class entity - others and 15% others. The geographical regions of these senders were 4% Eastern Europe, 4% other regions, 5% Africa, 6% North America, 8% Oceania, 10% Central and South America, 14% Asia, 15% Global, 34% Western Europe.

Table 5
Do the other stakeholders agree with the materiality concept presented by the IIRC?

	Observed Number	Expected Number	Residue
Agree	51	57.0	-6.0
Do not agree	63	57.0	6.0
Total	114	–	–
Test statistics			
Chi-Square	1,263[a]		
Degrees of freedom	1		
P-value	0.261		
Exact significance	0.303		
Point probability	0.080		

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected frequency for the test was 57 for both cases; the observed number of divergent stakeholders was 63, while the observed number of convergent stakeholders was 51. The χ^2 test was 1.263 for gl = 1 and p-value = 0.261. The result points to a tendency for other stakeholders not to agree with the IIRC concept of materiality, but this trend was not statistically significant. Thus, despite the trend, h3 that there is no difference between the IIRC concept of materiality and what was presented by the other stakeholders cannot be validated.

Finally, in relation to materiality, an χ^2 test was performed with all 215 senders. This test considered all senders as belonging to a single group. Thus, lobbyists were not separated into stakeholder groups or sector. The goal in treating all stakeholders, including financial capital providers and reporting preparers in a single test, disregarding the interest group they belonged to, was to check whether, in general, there was a statistically significant trend to differ from the IIRC concept of materiality for Q11.

Of the total of 215 senders, 38% were report preparers, while the second group of stakeholders, which most practiced lobbying, included 9% financial capital providers, 7% professional bodies - Others, 7% professional bodies - Accounting, 6% guarantee providers, 6% non-governmental organizations, 5% academic, 4% individual, 3% policy makers, regulators and standard setters, 2% market analysts, 1% accounting professionals, 1% labor representatives, 11% others.

Table 6

Did the stakeholders generally disagree from the materiality concept presented by the IIRC?

	Observed Number	Expected Number	Residue
Agree	92	107.5	-15.5
Do not agree	123	107.5	15.5
Total	215	–	–
Test statistics			
Chi-Square	4,470[a]		
Degrees of freedom	1		
P-value	0.034		
Exact significance	0.041		
Point probability	0.080		

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected value for both cases was 107.5; the observed value for convergent was 92 senders and for divergent 123. The χ 2 test was equal to 4.470 for gl = 1 and p-value = 0.034. Thus, there was a statistically significant tendency among stakeholders to respond to Q11 only when the sender did not agree with the concept of materiality presented by the IIRC.

When analyzing all the results together, there are signs that the senders were stimulated to practicing lobbying at the IIRC on the concept of materiality because they did not agree with it. The predominant stakeholder group in this lobbying process, was the report preparer, which consists largely of companies; the dominant justification presented was conceptual and focused on a notion of materiality that better contemplated the other stakeholders.

These results are in line with the findings of Sutton (1984), who states that report preparers tend to be the group sending the largest number of letters, preceding the financial capital providers. Reuter and Messner (2015) argue that the incentive of organizations to participate in the elaboration of IR was because they had a sustainability agenda in order to contemplate the other stakeholders and not only think about economic ends. Cho, Laine, Roberts and Rodrigue (2015), however, argue that what motivates companies to voluntarily contemplate their stakeholders is that they can manage possible conflicts among them. Thus, Cho *et al.* (2015) agree with Bewley and Li (2000) because, for them, the goal of preparers is to disclose in a report or in a set of reports as little information as possible that is able to satisfy the needs of most of their stakeholders or at least of the most important stakeholders in a concept of organized hypocrisy they develop.

4.2 Responsibility for IR

The result obtained from the positioning adopted by each group of stakeholders regarding the accountability of the information presented in the IR was divided and discussed in topics according to the group considered.

4.2.1 Lobbying by preparers

In this topic, the response given by the preparers about Q17 will be analyzed, in which the IIRC sought to hold the organizations' governance accountable for the information in the IR. The hypothesis to be validated will be h_4, in which most companies were resistant in holding governance accountable for the information in the IR. Of the 200 respondents who answered this question, considered by this study, 71 described themselves as report preparers, companies.

The economic sector these companies belonged to was 1% health, 1% telecommunications, 3% services, 3% oil and gas, 3% technology, 6% consumer goods, 7% basic materials, 7% utilities, 15% financial sector, 15% industries, 39% others. The geographic region they belonged to was 3% Eastern Europe, 3% other, 4% Africa, 4% Oceania, 10% Central and South America, 10% North America, 15% Asia, 20% Global, 31% Western Europe.

Table 7
Most companies resisted holding their governance accountable

	Observed Number	Expected Number	Residue
Agree	38	35.5	2.5
Do not agree	33	35.5	-2.5
Total	71	–	–
Test statistics			
Chi-Square	0,352[a]		
Degrees of freedom	1		
P-value	0.553		
Exact significance	0.635		
Point probability	0.159		

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected frequency was 35.5 for both cases, with an observed frequency of 38 for convergent and 33 senders for divergent. The χ^2 test corresponded to 0.352 for gl = 1 and p-value = 0.553. The validation of h4 is not possible, on the contrary, it was not statistically significant. The tendency among the sample firms was to agree to hold their governance accountable for the information in IR.

The companies that agreed adopted a posture similar to Port Metro Vancouver (2013), as they considered that including a governance statement would help ensure an accurate and reliable view of how the organization creates value, including accountability. On the other hand, the companies that disagreed reported something similar to Alianz SE (2013) when it states that an actual integration among the reports would cover the financial report provided to local governments, and the responsibility for this report is already attributed to corporate governance.

Then, h5 was tested to identify whether firms prone to a higher level of pollution were resistant to holding governance accountable for the information in IR. Of the 71 senders considered in h4, 25% or 18 companies belonged to sectors more prone to pollution, being two companies from the oil and gas sector, five from basic materials and 11 industrial.

Table 8

Position of polluting companies to hold their governance accountable for the information in the IR

	Observed Number	Expected Number	Residue
Agree	8	9.0	-1.0
Do not agree	10	9.0	1.0
Total	18	–	–
Test statistics			
Chi-Square	0,222[a]		
Degrees of freedom	1		
P-value	0.637		
Exact significance	0.815		
Point probability	0.334		

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected frequency was nine for both cases, the observed frequency being eight for convergent and 10 for divergent senders. The χ^2 test was 0.222 for gl = 1 and p-value = 0.637. A trend could be verified among companies more prone to pollute in being resistant to holding their governance accountable. This trend was not statistically significant though, which leads to the rejection of h_5.

When analyzing h_4 and h_5 together, even though both were not statistically significant, a divergent trend could be verified between the two hypotheses. While h_4, which has firms from different sectors, including those prone to pollution, tends to hold corporate governance accountable for information contained in IR, for h_5, which include only those companies most likely to pollute, the trend observed was not to hold governance accountable for the information contained in IR. These divergent trends raise clues as to what Bewley and Li (2000) argue, in that firms with higher pollution risk tend to give more general, less material information and are more resilient in holding the organization accountable.

4.2.2 Lobbying by accounting firms

With regard to the positioning adopted by accounting firms, h6 aimed to identify whether they agreed to hold the governance of their potential clients accountable for the information in IR. The number of senders classified as Accounting companies, organizations or professionals was 27 senders. The geographical distribution of this group was 4% Central and South America, 4% Eastern Europe, 4% North America, 7% Africa, 10% Oceania, 11% Asia, 30% Western Europe and 30% Global.

Table 9

Accounting professionals agreed to hold the company governance accountable for the information disseminated in the IR

	Observed Number	Expected Number	
Agree	21	13.5	7.5
Do not agree	6	13.5	-7.5
Total	27	–	–
Test statistics			
Chi-Square		8,333a	
Degrees of freedom		1	
P-value		0.004	
Exact significance		0.006	
Point probability		0.004	

a. 0 cells (0.0%) have expected frequencies lower than 5. The minimum expected frequency is 9.5.

Source: research data (2017)

The expected frequency was 13.5 for both cases. The observed frequency for the convergent was 21 senders, against only six for divergent. The χ^2 test was equal to 8.333 for gl = 1 and p-value = 0.004. Thus, it can be affirmed that there is a statistically significant trend in the Accounting group to agree with the IIRC by holding corporations accountable, which leads to the acceptance of h6.

Accounting professionals, by agreeing to hold governance accountable, adopted justifications similar to ERM CVS (2013) when it argued that the statement of responsibility would raise IR to the same level as the annual reports. BDO Ukraine (2013), in addition to agreeing, informed that the adoption and accountability of corporate governance in more progressive parts of the world would help to accelerate the process of accountability in Ukraine. Thus, accounting firms have not only agreed to hold corporate governance accountable, but they expect IR to become a global trend.

As accounting professionals and companies in general tended to hold corporate governance accountable for the information in IR, further analysis of this sign was due - to analyze whether companies in general and accounting professionals hold the same position is important because Georgiou (2004, 2002) argued that accounting professionals will agree with the opinion defended by the report preparers, who are their clients. Thus, a χ 2 test of Independence was carried out, through which we tried to identify if there is a positive association between what the preparers and the accounting professionals defended, addressing the following statistical hypothesis:

***h_a1:** Agreeing on governance accountability for information in IR depends on whether the group consists of preparers or accounting professionals.*

Hypothesis 1 defends that the act of agreeing to hold company governance accountable depends on whether the sender belongs to the preparers or accounting professionals. The non-rejection of ha1 will confirm what was presented by Puro (1984), in that Accounting professionals will lobby in an opposite sense to their clients when there is a possibility of increasing demand for their audit or consulting services.

***h_a0:** Agreeing with governance accountability for the information in IR does not depend on whether the stakeholder group consists of preparers or accounting professionals.*

Conversely, h_a0 states that it does not matter if the sender belongs to the group of preparers or accounting professionals. They will both agree to hold corporate governance accountable for the information in IR. If it does not reject ha0, the result will point to the finding by Georgiou (2004, 2002), that is, preparers and accounting professionals tend to defend the same objectives during lobbying.

Table 10

		Positioning		Total
		Agrees	Does not Agree	
Stakeholders	Accounting professionals	21	6	27
	Financial statement prepares	38	33	71
	Total	59	39	98
χ^2 = 4,804a	gl = 1		P-value = 0.028	

Source: research data (2017)

The result of the Independence test was $\chi^2 = 4.804$ for gl = 1, the p-value was 0.028, being significant at 5%. The result leads to the rejection of ha0 and the acceptance of ha1, i.e. agreeing to hold the company's governance accountable for the information in IR depends on which stakeholder group the sender belongs to: preparers or accounting professionals. Reuter and Messner (2015), in reviewing lobbying in the first stage of IR, identified that these two groups agreed on most issues. As, in the Discussion Paper stage, analyzed by Reuter and Messner (2015), no specific question was presented as to who would assign responsibility for the information disclosed in IR, it could not be identified if there was a difference among the preparers or Accounting between the Discussion Paper process and the Consultation Draft.

The fact that many preparers did not agree with the accountability causes Stubbs and Higgins's argument (2018) to gain momentum, and it is desirable that the world's major stock exchanges encourage the use of IR by seeking more preparers to become supporters and, later, to advance in its compulsoriness.

5. Conclusion

This article verified the responses the various stakeholders sent to the IIRC about the concept the entity presented for materiality and who should be held accountable for the information in the IT. The objective of this study was to verify which stakeholder groups agreed with the measures and concepts under discussion for IR and which groups disagreed, in addition to the justifications presented by those who differed. This analysis is important to identify whether the concept of materiality and the validity of IR information met the concept expected by its target audience, providers of financial capital, and whether other stakeholders also agreed with the proposal presented. Therefore, the comment letters sent to the IIRC in the Consultation Draft were analyzed, being the final stage of public consultation for the elaboration of the IR.

As authors such as Gray and Bebbington (2000) argue in favor of the concept of materiality not from the viewpoint of financial capital providers, but from the point of view of all stakeholders, and as Flower (2015) and Thomson (2015) followed this concept to criticize the IIRC's definition of materiality, it became necessary to verify whether the financial capital providers themselves agreed with the concept of materiality presented by the IIRC. In this respect, the results found in this study pointed out that, in fact, the financial capital providers tend to agree with the IIRC's concept of materiality.

This study found that the report preparers, a group of companies from different sectors, did not agree with the concept of materiality presented by the IIRC because they considered that this concept did not satisfactorily consider other stakeholders. Most of the justifications coming from this group were conceptual, trying to influence the IIRC.

In analyzing the position defined by the other stakeholders for the concept of materiality, this study found that, contrary to the financial capital providers' trend, other stakeholders tended to oppose the concept of materiality presented by the IIRC. Similar to the providers of financial capital, however, the other stakeholders did not form a statistically significant majority as regards the trend of the position argued.

Regarding the responsibility for the information contained in the IR, this article concluded that the companies that sent letters to the IIRC were generally open to holding their governance accountable for the information contained in IR, but that the senders belonging to that group did not agree with statistical significance in this regard. When analyzing the companies with the highest propensity to pollute, however, the tendency was the opposite, with companies in the chemical, oil, pulp and paper and primary metals industries being more resistant to holding the organization's governance accountable for the information in IR. These findings were in accordance with Bewley and Li (2000) and Li *et al.* (1997).

Concerning the Accounting firms, they took a statistically significant position by agreeing to hold organizations accountable for the information contained in IR. This result goes against what was argued by Jorissen *et al.* (2012), in that companies and accounting professionals tend to do lobbying in the same sense as their clients; and agrees with Puro (1984) in that organizations and accounting professionals will lobby in order to increase their demand for work.

Thus, this paper concludes that the financial capital providers supported the IIRC's suggestions for IR regarding materiality and accountability for IR information. The capital providers' support is important to the success of IR, as they will be the primary users of the report, although they do not exclude other stakeholders in principle. IR, through its capitals, provided the possibility for minority investors to have new information that financial reports had not previously covered. On the other hand, the companies supported the IR initiative, hoping that it would better address the stakeholders and sustainability issues. Companies, by accepting IR and wanting to better engage stakeholders, can be seen as a means of seeking public legitimacy. The legitimacy gained by IR would enable a lower cost of capital for companies, as well as an increase in value for the company, if the market judges that the information reported was relevant to decision making.

The contribution made is to demonstrate what was discussed by Flower (2015), Thomson (2015), Stubbs and Higgins (2018) and Gibassier, Rodrigue and Arjaliès (2018) that, in its conception, IR was designed to meet, first, the financial capital providers, pushing the interests of groups more focused on sustainability into the background. Stakeholders did not see their interests represented in the capital providers, which is why they disagreed from the concept of materiality. As the other stakeholders have not been represented since the conception of IR, it is coherent to state that the integration sought and exposed in the concept of materiality was not understood as something broad, therefore being something that was not fully integrated. Thus, if the concept of materiality was not integrated or was still moving towards full integration, it would be easy for a company to legitimize and increase its value, as it would not require major operational changes at the onset.

The limitation of this study lies in the fact that it does not consider all the issues present in the Consultation Draft, besides not analyzing the lobbying exercised throughout the elaboration process of IR. As a suggestion for future research, it is advisable to verify the lobbying based on the sender's perception about the concept of capitals and business model the IIRC presented at the time the IR was elaborated.

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