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# Sustainability and Integrated Reporting: A Case Study of a Large Multinational Organisation

Carina Janek<sup>a</sup>, Federica Ricceri<sup>b</sup>, Daniela Sangiorgi<sup>a</sup>, James Guthrie<sup>\*c</sup>

<sup>a</sup> University of Bologna, Italy

<sup>b</sup> University of Padua, Italy

<sup>c</sup> Macquarie University, Australia

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## Abstract

With the European Directive coming into force in 2016 concerning disclosure of non-financial information by large European companies and groups, it is important to explore one of European corporations 'best practices' non-financial disclosures in its public statements. This paper analyses the world's largest chemical company's sustainability disclosures in its annual report and via other corporate media. The paper synthesises insights from accounting and sustainability reporting research and provides an analytical frame to explore how one organisation constructs and reports its economic, environmental and social performance. The research asks: 1) How does the organisation determine what to report? 2) What does the organisation report? The research questions are examined by reviewing and studying the organisation's report at one period of time and corresponding sections on the corporate website of the company, which are both publicly available. The paper finds that the company uses the GRI Guidelines to construct its report and the disclosure contents. Even though the phrase 'Integrated Report' is used, the company does not follow the Integrated Reporting framework for determining the frame and content of its economic, environmental and social performance report and other public disclosures. The paper provides academics, regulators and reporting organisations with insights into issues and aspects of the construction of European corporations 'best practices' disclosure in non-financial statements.

**Keywords:** GRI, Sustainability reporting, Integrated reporting, EC Accounting Directive, non-financial statements

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## 1. INTRODUCTION

The purpose of this paper is to analyse the world's largest chemical company's social and environmental disclosures in its annual report and other corporate media. The paper synthesises insights from previous accounting and sustainability reporting research and provides an analytical frame to explore how one organisation constructs its economic, environmental and social performance.

With the European Directive coming into force in 2016 concerning disclosure of non-financial information by large European companies and groups, it is important to explore one of European corporations 'best practices' non-financial disclosures in its public statements. Research questions addressed in this case study are: 1) How does the organisation determine what to report? 2) What does the organisation report? The research questions are examined by reviewing and studying the organisations report at one period of time and corresponding sections on the corporate website of the company, which are both publicly available.

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\* Corresponding author.

E-mail: [james.guthrie@mq.edu.au](mailto:james.guthrie@mq.edu.au)

## 2. BRIEF REVIEW OF THE SUSTAINABILITY REPORTING LITERATURE

Many different and quite heterogeneous terms have been used to refer to the reporting of social and environmental information, ranging from social accounting (SA), social and environmental reporting (SER), sustainability reporting (SR), to corporate social responsibility (CSR) or integrated reporting (IR). Thus, researchers have relied on a wide set of definitions in order to conduct empirical studies (Fifka, 2012, pp. 46–47).

Also, Gray (2002, p. 687) uses social accounting to summarise in one “generic term for convenience [...] all forms of ‘accounts which go beyond the economic’ and [...] all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting”. Also KPMG, which has published yearly international surveys to report on global trends in the area of sustainability reporting, has adopted the term ‘corporate responsibility reporting’ (KPMG, 2013). The terminology used throughout our study is sustainability reporting (SR).

### 2.1 Fifty years of reporting

Since KPMG (1993) first published its ‘International Survey of Environmental Reporting’, later renamed ‘International Survey of Corporate Responsibility Reporting’ and now ‘Corporate Responsibility Reporting’ (KPMG, 2013) they have explored the world’s 250 largest companies that issue an SR report and have found significant increases in disclosures over time. The reasons for companies to report on their social and environmental performance go beyond the once dominant perception of a “moral obligation to society”, but now include “The main driver for CR reporting continues to be legislative: there is a growing trend of regulations requiring companies to publish non-financial information.” (KPMG, 2015, p.30). Corporate practices during the last five decades have a changing areas of focus. Any changed direction pertaining to reporting emphasis has resulted in a new terminology for SR. Research that followed those reporting practices can chronologically divide the last four decades into five distinct periods, which will be discussed below (Fifka, 2012, pp. 45-46, 62).

In the 1970s, which is considered Period 1, corporations first disclosed internal information that went beyond financial data. Those disclosures were experimental, unstructured, unreliable and inconsistent over reporting periods (Mathews, 1997, p. 484). Companies, mainly from Western Europe, reported on the social implications of their business operations in terms of employees and products. Those initial activities by companies resulted in a parallel establishment of social and environmental accounting research as a separate discipline. Given the strong focus of corporate disclosures on social aspects, research itself followed with studies on social accounting and rarely touched any environmental questions. Consequently, the terminology most used during the 1970s was social reporting (Fifka, 2012, pp. 46, 62).

In the 1980s, which is considered Period 2, SR was less widely adopted (Fifka, 2012, p. 62; Gray, 2002, p. 691). There is reason to believe that this development can be associated with the rising popularity of neo-liberalism, which emerged with the political successes of Ronald Reagan and Margret Thatcher since the market economy was considered the only regulating power. However, academics pushed research in the area of SR forward while applying more advanced methodologies and incorporating environmental reporting research questions (Fifka, 2012, pp. 62–63).

Period 3, the 1990s, is characterised by an upsurge of environmental reporting as companies understood that a ‘green image’ for their products and overall business operations could lead to a reputational gain and comparative advantage with respect to the competition. This realignment was, as a matter of course, accompanied by corresponding research focusing on environmental reporting, which was then also the prevailing terminology of the period (Fifka, 2012, pp. 46, 63). An important event around 1988 was the publication of the report *Our common future* by the Brundtland Commission of the UNWCED, which defined sustainable development as one that has “to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs” (UNWCED, 1987, p. 15) and thereby introduced the term ‘sustainability’ into the political and public mainstream (Elkington, 2004, pp. 7–9).

The late 1990s also saw the term ‘triple bottom line’ gain popularity after Elkington introduced the concept in 1994. While, traditionally, companies measure their performance using one bottom line referring to profits or net income, the idea of the triple bottom line includes additional bottom lines for social and environmental

performance. Thus, companies ought to measure their value creation, or value destruction, in economic, social and environmental terms. The intention behind the concept was to integrate these three dimensions.

After 2000, considered Period 4, companies included both social and environmental aspects in their non-financial disclosures. A further development was the publication of stand-alone corporate social responsibility or sustainability reports – which also became the dominant terminology of the period – instead of adding social and environmental information in the annual report. In sum, corporate reporting widened both with regards to content and media used, such as the internet. These developments in practice became the subject of scholarly empirical research (Parker, 2005; Guthrie et al., 2008).

After 2010, Period 5 emerged in connection with concerns about global warming and social inequalities and the power of global corporations. As a response several regulations and legislation requirements were enacted, for instance, the EU directive regarding the disclosure of non-financial information by large organisations adopted by the European Parliament in April 2014. The directive requires public-interest entities with more than 500 employees to issue a non-financial statement, including environmental, social and employee related, human rights and anti-corruption information as well as a description of the business model, due diligence policies and non-financial KPIs (European Parliament / Legislative Observatory, 2014).

Besides its increasing dissemination in the corporate world, it has to be noted that SR as a discipline has been the subject of criticism in recent decades. These include that SR is trivial and not accounting, that it lacks appropriate theory, threatens profitability and disturbs capital markets (Gray, 2002, p. 688). As noted by Mathews (1997, p. 502), accounting managers in organisations, as well as traditional accounting researchers, do not accept SR as a field of research on its own. However, with growing public concern about social and environmental issues, it has had the chance to play a more central role in the accounting literature in the past decade (Parker, 2011, p. 1). Moreover, recent research on SR disclosure has been criticised for an increasing lack of completeness and decreasing amount of credibility in the information reported, and concerns have been expressed about the (ab)use of CSR reporting practices (e.g., the use of stand-alone reports, assurance, and reporting guidance), which are usually considered as signals of commitment towards social and environmental sustainability. According to this view, these practices may also represent symbolic actions intended to portray corporations as genuinely committed to CSR (Michelon et al., 2015).

Underpinning these stages has been a number of frameworks and guidelines. We now briefly explore two main frameworks: the Global Reporting Initiative (GRI) and Integrated Reporting (IR) for the purpose of understanding the history and processes associated with each.

### **3. GRI SUSTAINABILITY AND IIR INTEGRATED REPORTING FRAMEWORKS**

The GRI reporting framework is widely acknowledged as a leader in the international standardisation of sustainability reporting (Bebbington, Kirk, & Larrinaga, 2012; Gray, 2010; Mahoney *et al.*, 2013). It is also considered the primary example of sustainability reporting, as it has wide application in multinational firms that operate in a variety of industries (Joseph, 2012). The Global Reporting Initiative (GRI) was founded in 1997 as an international not-for-profit organisation fostering the use of sustainability reporting (GRI, 2014b). The GRI sustainability reporting framework is widely used by the world's largest companies, with 74 percent of the G250 using the framework (KPMG, 2015, p. 40).

The framework assists organisations in reporting on economic, environmental and social performance indicators in relation to sustainability development. The SR guidelines included in the framework are developed through a stakeholder-based approach with experts from various organisations and companies contributing to it. They include specific documents for several industries, the so-called sector guidelines (GRI, 2013b, p. 9; GRI, 2014b). One advantage of such a reporting framework is the increased credibility and comparability of sustainability reports that result from standardisation (de Villiers et al., 2014, p. 1045).

#### **3.1 Integrated Reporting**

The International Integrated Reporting Committee (IIRC) was founded in August 2010 by the Prince's Accounting for Sustainability Project (A4S) and the GRI (GRI) with the aim to create a globally accepted framework for accounting for sustainability (IIRC, 2010). It consists of representatives of companies, investors, regulators, standard setters and the accounting profession (IIRC, 2013, p. 1). By having access to information from these sources, it is expected that financial investors are better informed about an organisation's value creation and can allocate capital in a more efficient way.

The Integrated Reporting Framework (IRF), which provides guidance for reporting organisations, was published in December 2013. A pilot program was set up, in which organisations participated in the development of the IRF by testing the practicability of its principles and content. The companies of the pilot program, which are grouped in a business network with more than 100 multinationals and organisations from the public sector and an investor network with around 35 investor organisations, are invited to test the published IRF until the pilot program ends.

The IRF itself is limited to general principles. It sets content elements that should be covered in every IR and gives guiding principles that specify how the report content should be determined and presented. In addition, it introduces the term ‘capitals’, which are understood as stocks of value (i.e., resources and relationships that can grow, diminish and be converted in the course of the organisation’s business operations). In particular, the capitals mentioned are financial, manufactured, intellectual, human, social and relationship and natural capital (IIRC, 2013, pp. 2, 4–5).

Comparing the GRI and its guidelines for SR with IR, the GRI aims at a “change towards a sustainable global economy” and is not addressing primarily one particular group or stakeholder, while the IR aims to inform a specific recipient that is capital markets. As mentioned above, IR seeks to increase the quality of information financial investors have at their disposal in order to make better decisions about their capital allocation. Nevertheless, SR as promoted by the GRI and IR are connected since SR provides foundations for the compilation of an IR and, therefore, is one essential component (GRI, 2014a). Also, the difference in focus between both approaches becomes noticeable when considering the investor network of the IR pilot program, which demonstrates that the IIRC explicitly values the opinion and concerns of the investing community.

As noted by de Villiers et al. (2014, pp. 1049–1050), the IIRC’s view of sustainability relates to value creation over the short, mid and long-term, which can be accomplished through an efficient use of all capitals, including non-financial capitals. The emphasis on financial enhancement in value, in particular from an investor’s point of view, dominates however (de Villiers et al., 2014, p. 1049). The recent activities within the context of IR, with the IRF being finalised at the end of 2014 and the first pilot companies publishing integrated reports, represent the current developments in the progression of SR (see, Figure 1). Of course, many organisations still use a variety of terms to identify what we label SR.

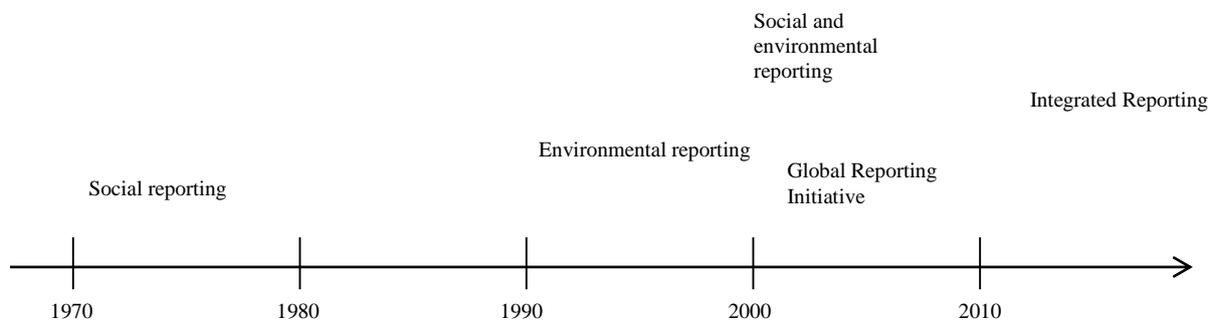


Figure 1. Half a century of sustainability reporting (SR)

#### 4. RESEARCH METHODS

##### 4.1 Content analysis and document analysis

In line with previous studies of SR our study replies on content analysis (CA). This particular method is applied to the case study organisation report. Also this section introduces the coding instrument used to develop the analysis undertaken in this study. According to Guthrie and Abeysekera (2006, 115) content analysis “is a technique for gathering data that uses a set of procedures to make valid inferences from text” and “involves codifying qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information” grounded on chosen conditions. To be effective CA has to meet certain requirements (Guthrie et al., 2004, p. 287; Guthrie & Abeysekera, 2006, p. 116). The first, is that the “category of classification must be clearly and operationally defined”. There is no common agreement on the choice of the most appropriate unit of analysis.

The second requirement is that “data capture must be systematic”. To be systematic it has to be clear that “an item either belongs or does not belong to a particular category” (Guthrie & Abeysekera, 2006, p. 116). The third is that “The information needs to be able to be quantified” and fourth that “CA must demonstrate some characteristic for reliability and validity”. Guthrie and Abeysekera (2006) argue that when CA is performed its reliability has to be proven. According to Milne and Adler (1999) to have a reliable analysis two conditions have to be met. First the coded data set obtained from the analysis has to be trustworthy. This can be easily obtained by using more than one coder and by disclosing any discrepancy between the two. The second condition is the reliability associated with the coding instruments. In this respect Guthrie et al. (2004, p. 289) suggest the selection of “well specified decision category with well specified decision rules”. Also it is important to analyse any possible limitation of the research. Guthrie and Abeysekera (2006, 119) state that CA “captures quantity of disclosure rather than quality characteristics”. There is a series of papers analysing the subject and the shared conclusion is the difficulty in relating findings to the quality of disclosure (Guthrie & Abeysekera, 2006). The second limitation identified by Guthrie and Abeysekera (2006, p. 19) is the subjectivity of the analysis. In this respect it is emphasised that the subjectivity of the coding instrument may infer meaning from the data as well as the bias of who is performing the analysis, in our case study we had only one recorder. While attempts are made to reduce this issue, it may not be possible to eliminate it completely.

#### **4.2 Selection of the case study organisation**

PWC provides guidance as to how good reporting can be developed, and introduces some illustrations of "best practices" in IR. In this context, our organisation is cited as an example of "what good reporting looks like" (PWC, 2013 p. 32). The company's efforts and "best practice" in the area of sustainable development and SR have been recognised by several other institutions and organisations. For instance, it is included in the Dow Jones Sustainability World Index (DJSI World) for the 13th consecutive year due to, among other reasons, its risk management and human capital development. Furthermore, the company is listed in the CDP Global 500 Climate Disclosure Leadership Index (CDLI) for the ninth year in a row. The CDP is a non-profit organisation representing over 700 institutional investors. In particular, it was ranked as the company with the most transparent and comprehensive reporting on climate protection in the materials sector. Given the number of recognitions and awards received both globally and nationally for non-financial reporting our company can be considered a ‘best practice’ organisation and its disclosures at a point of time will be analysed in details to explore of two research questions.

#### **4.3 Brief review of case study organisation**

Our case study organisation is the world's largest chemical producer by sales, excluding formulated products such as pharmaceutical drugs and coatings. In 2014, sales amounted to about US\$961.3 billion. Approximately 100,000 employees work for the company globally. Its corporate mission is “We create chemistry for a sustainable future” and the following statement “We combine economic success, social responsibility and environmental protection”. These suggest a commitment to pursue a sustainable corporate strategy and to evaluate its own performance not solely in financial terms.

The company's commitment to sustainability, or more precisely a commitment to transparency about the social and environmental impact of its operations, is manifested in its activities regarding sustainability reporting. Having published the first environmental report in 1988, the first report depicting its economic, environmental and social aspects in 2003, then the first report containing environmental and social information plus financial disclosures in 2007, the company has continuously presented itself as a pioneer in the area of sustainability reporting (Moutchnik, 2013, p. 21). As such, it was among those to first contribute to the emergence of an increased public expectation for more corporate transparency with regards to social and environmental activities and, ultimately, to the establishment of sustainability reporting as the norm (Wolf & Schwindenhammer, 2011, p. 13).

In 2003, the company first adopted the GRI guidelines. The 2013 report was compiled in accordance with the version G3.1 of the guidelines and an application level A+. In addition, the company is involved in the further development of the guidelines as an organisational stakeholder since 2005. Furthermore, our organisation participated in the IIRC pilot program business network which contributed to the development of the IRF (IIRC, 2014d). Figure 2 provides a brief historical outline of the changing nature of the SR name from 2000–2015. In reviewing the various standalone reports, the 2013 report was selected for availability. Also it was the first time that GRI materiality guidelines were used in-depth to frame and produce the content of the report.

#### 4.4 Determination of material items under the GRI G3.1 guidelines

The GRI G3.1 reporting guidelines, which have been applied in their 2013 report, describe how an organisation should proceed in order to define the items included in a SR. In general, all items that are material for the respective organisation are to be reported. In the course of the process to define the report content, the company's primary activities as well as stakeholders' interest play a role. The determination of material topics has to be conducted to establish a balanced, realistic and reasonable depiction of a company's activities. Since this step in the overall preparation of a SR constitutes a challenge for many companies, but is simultaneously critical in making reports meaningful, the GRI provides detailed instructions on the process (GRI, 2000–2011, pp. 9, 182). The four reporting principles suggested by the GRI for defining the report content are 'stakeholder inclusiveness', 'sustainability context', 'materiality' and 'completeness'. The GRI describes a process to be followed comprising four steps: identification, prioritisation, validation and review of topics.

Whilst taking into account the reporting principles described above, organisations should follow the process shown in Figure 3 to determine their SR content. Potentially relevant topics are identified, prioritised according to their ascertained materiality and validated. The output of the procedure is a schedule of material topics and performance indicators on which to report. Lastly, the process, which is a recurring one for each reporting period, is concluded and begins again with a review of the report just finalised (GRI, 2000–2011, p. 184).

### 5. THE REPORT 2013

The following sub sections present the results of our study of the 2013 report, which is available in pdf and HTML format, regarding its: (1) structure; (2) data quality; and (3) audit and evaluation.

#### 5.1 Report structure

The report for the business year 2013 has the title 'Report 2013: Economic, environmental and social performance'. It comprises the financial and sustainability reporting of the company and has sections as depicted in Table 1. The section on sustainability is placed prominently after the description of the Group and its strategy and before the innovation and business model sections.

<i>Date</i>	<i>Name Report(s)</i>	<i>Description</i>	<i>Pages</i>
2000	'Environment, Safety and Health 2000'; 'Social Responsibility 2000'		pp. 60 pp. 68
2001	'Environment, Safety, Health 2001'; 'Social Responsibility 2001'	Separate thematic sustainability reports	pp. 12 pp. 76
2002	'Environment, Health & Safety 2002'; 'Social Responsibility 2002'		pp. 68 pp. 12
2003	'Corporate Report 2003'		pp. 76
2004	'Corporate Report 2004'	Sustainability report including economic, environmental and social aspects	pp. 84
2005	'Corporate Report 2005'		pp. 100
2006	'Corporate Report 2006'		pp. 92
2007	'Report 2007'		pp. 228
2008	'Report 2008: Economic, environmental and social performance'	Start of materiality matrix process in 2007	pp. 258
2009	'Report 2009: Economic, environmental and social performance'		pp. 224
2010	'Report 2010: Economic, environmental and social performance'	Report combining financial and sustainability reporting	pp. 232
2011	'Report 2011: Economic, environmental and social performance'	(since 2008 named 'integrated report' within the report)	pp. 240
2012	'Report 2012: Economic, environmental and social performance'		pp. 244
2013	'Report 2013: Economic, environmental and social performance'		pp. 252
2014	'Report 2014: Economic, environmental and social performance'		pp. 276
2015	<a href="#">Online Report 2015 integrated corporate report</a>		

Figure 2: Brief history of reporting labels



Figure 3. Process to define the content of a sustainability report (Source: GRI, 2000–2011, p. 184)

In the section ‘About this report’, the report is described as an “integrated report [which] documents ... economic, environmental and social performance” and explains further that the “report integrates financial and sustainability reporting”. In addition, the report shows how value is created for “our employees, shareholders, business partners, neighbours and the public”. Although the expression ‘integrated’ is used, the first impression the reader gets is that the report ‘brings together’ previously separated disclosures on financial and sustainability topics. This is further supported by the fact that the company omits to mention its participation in the IIRC pilot program business network, while the contribution to other organisations such as the United Nations Global Compact or the GRI are referred to. With regards to the content of the sustainability disclosures, it is stated that the GRI G3.1 guidelines are followed, the United Nations Global Compact’s ten principles are further implemented and the Blueprint for Corporate Sustainability Leadership by the Global Compact LEAD platform has been respected.

The report describes the financial year 2013 (i.e., calendar year 2013) with an editorial deadline on 19 February 2014. Numbers of employees are given as of 31 December 2013. Throughout the report, the organisation deploys different forms of communication such as narratives, numbers, pictures, graphs, figures and tables. Issues related to sustainability have been identified through a materiality analysis. By means of this procedure, the company named 38 material topics summarised in eight material aspects. Those issues that are important for the organisation are illustrated in Figures 4 and 5.

Table 1. Sections of the report 2013

<i>Sections of the Report 2013 (same order as in report)</i>	<i>Number pages</i>
Cover	pp. 13
About this report	pp. 3
1. To Our Shareholders	pp. 10
2. Management’s Report	
The Group	pp. 3
Our strategy	pp. 6
Sustainability	pp. 3
Innovation	pp. 6
Investments and acquisitions	pp. 2
Business models and customer relations	pp. 1
Working	pp. 6
Social commitment	pp. 1
The business year	pp. 44
Responsibility along the value chain	
Supply chain management	pp. 1
Raw materials	pp. 2
Responsible Care Management System	pp. 1
Safety, security and health	pp. 5
Environment	pp. 7
Forecast	
Opportunities and risk report	pp. 9
Economic environment in 2014	pp. 3
Outlook 2014	pp. 3
3. Corporate Governance	pp. 20
4. Consolidated Financial Statements	pp. 74
5. Supplementary Information on the Oil & Gas Segment	pp. 10
6. Overviews	pp. 16

The material topics are visualised on a plane indicating the relevance attached to each issue both by the company and by external stakeholders. Items shown in the right upper corner have the highest relevance from an internal and external perspective.

## 5.2 Data quality

Crucial aspects concerning data quality are the boundaries of reporting in terms of how subsidiaries and partly owned operations are included in the aggregated disclosures, and the reliability of the data as a result of internal data collection mechanisms and governance. For instance, the reporting on environmental performance indicators corresponds to the accounting standard IFRS 10, which sets guidelines for the preparation of consolidated financial statements and standard IFRS 11, which determines the treatment of joint arrangements. Hence, emissions and waste of fully consolidated units are reported in full, while environmental impacts of consolidated joint arrangements are considered on the respective pro rata basis. Any work-related accidents, on the contrary, are included in full in each case.

In a GRI survey on the sustainability content of integrated reports, the gathering of sustainability data was identified as a challenge for many companies since there are no time-tested and mature systems and processes in place as in the case of financial data (GRI, 2013a, p. 32). The absence of well-established processes represents a threat to data reliability because more manual processes, in particular across internal organisational borders, tend to be more time-consuming and error-prone than automated ones. In terms of any information systems and processes implemented, the company only states that data related to environmental and occupational safety performance indicators were collected according to recommendations of the European Chemical Industry Council (CEFIC), an association of 640 companies and industry federations that represents the chemical industry in Europe.

Restatements of sustainability data by companies, which in general indicate that data quality is in need of improvement, can be related either to the correction of errors or omissions or to updated methodologies, definitions or scope (KPMG, 2013, p. 34). There was only one restatement found in our reports in the last three years, where 2012 figures on environmental performance were restated in the 2013 report, due to a changed approach regarding reporting boundaries under IFRS 10 and 11 to allow comparison over the years.

## 5.3 Audit and evaluation

With the aim of increasing the credibility of their sustainability reporting and to improve data reliability, companies mandate third parties to assure their disclosures. Although this is not compulsory the number of the world's biggest firms having their sustainability data externally assured has been increasing since 2002 (KPMG, 2013, p. 33).

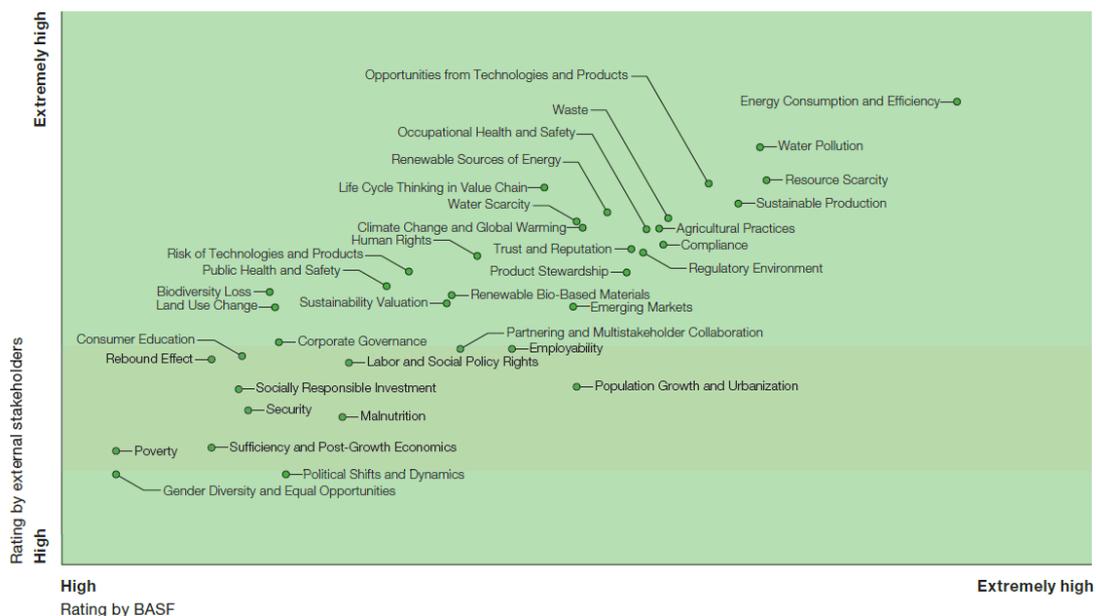


Figure 4. Material topics by relevance



Figure 5. Material aspects

The GRI promotes the use of external assurance in its G3.1 and G4 guidelines (GRI, GRI, 2000–2011, p. 41; GRI, 2013b, p. 85). Companies that have had their sustainability disclosures reviewed by a third party can add a ‘+’ to their respective application level (GRI, 2000–2011, p. 5). This mechanism increases motivation for companies to get their SR audited. The German Sustainability Code does not prescribe external assurance, but points out that it enhances credibility in the market and a limited assurance given by a third party, such as an auditor or NGO, is recommended (RNE, 2014; RNE, 2012, p. 3).

Sustainability data contained in the ‘Management’s Report’, which represents an integral part of the 2013 report, was audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The “assurance report on the sustainability performance information in the report 2013” by KPMG is not included in the print version of the 2013 report, but is available online, where it states that the respective parts of the 2013 report were reviewed to provide a limited level of assurance, as opposed to a reasonable one. The assurance was carried out in line with the International Standard for Assurance Engagements (ISAE) 3000 and 3410 and completed with the confirmation that nothing material has been noted by KPMG that is not presented fairly in the report. Any further information on sustainability issues available on the website and cross-referenced in the print version of the 2013 report had not been audited.

The auditing standards mentioned above are published by the International Auditing and Assurance Standards Board (IAASB), a standard setting entity belonging to the global organisation for the accountancy profession IFAC (IAASB, 2013). While the ISAE 3000 determines rules for assurance engagements other than audits or reviews of historical financial information in general, the ISAE 3410 provides details for the assurance of greenhouse gas statements. As explained by ISAE 3000, a limited assurance engagement – as obtained by our organisation – reduces the assurance engagement risk to an acceptable level, which is, however, higher as in the case of a reasonable assurance. Thus, the third party declaring that corporate disclosures are in accordance with the respective reporting criteria will phrase its conclusion in a negative form, as in the case of our organisation (i.e. “nothing has come to our attention to indicate that the sustainability performance information for the business year 2013 in the Report is not, in all material respects, presented fairly in accordance with the reporting criteria” [IFAC, 2014a; IFAC, 2014b; (emphasis added)]). Interestingly, the majority of the world’s biggest companies that use external assurance decide to obtain a limited assurance only instead of a reasonable one (KPMG, 2013, p. 33). In addition to the external audit by KPMG, the self-attested application level A+ of the organisation’s sustainability reporting indicates the most comprehensive implementation of the GRI guidelines. As mentioned above, the ‘+’ is added due to the audit by a third party. Having fulfilled the GRI G3.1 guidelines, and the sustainability disclosures simultaneously, conforms to the German Sustainability Code.

## 6. SUMMARY AND CONCLUSIONS

This case study analyses our organisation’s practices in the “Report 2013: Economic, environmental and social performance, for the financial year 2013”. The chemical company, which compiled its disclosures in accordance with the G3.1 guidelines of the GRI, shows its commitment towards a sustainable corporate strategy and is considered a pioneer and ‘best practice’ in the area of SR. The analysis reveals our organisations reporting according to the GRI G3.1 guidelines. Regarding its materiality determination process, the company goes one step further than prescribed by the GRI G3.1 guidelines. In an initiative of ‘self-reporting’, the company groups the 38 material topics identified into eight ‘catchy’ action fields. Those aggregated categories of important sustainability-related matters are: ‘employment and employability’, ‘energy and climate’, ‘food’, ‘operational excellence’, ‘responsible partnering’, ‘products and solutions’, ‘resources and ecosystems’ and ‘water’. They are reported on by deploying different forms of communication (i.e., narratives, numbers, pictures, graphs, figures and tables).

Despite the 2013 report using the name ‘integrated report’, the case study concludes that it is not an integrated report according to the IRF of the IIRC. This finding is mainly based on the materiality determination process, which is not congruent with the IRF, the lack of connectivity of its disclosures within the report and the potential to better explain its “value creation mechanisms”. Hence, the 2013 report can instead be considered as bringing together financial, economic, social and environmental information. Based on these findings, it is questioned if our organisation, which is a successful and long-established company, needs the concepts of integrated reporting and integrated thinking according to the IIRC in order to be able to create value. Conceivably, the adaptation to the IRF is, more than that, worth striving towards for reputational reasons.

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