CZU: 657.375.6:005.52
DOI: https://doi.org/10.53486/issc2023.52

INTEGRATED REPORTING – THE CONFIDENCE OF INVESTORS IN THE CIRCUMSTANCES OF UNCERTAINTY

Aythor: **ALINA BUBELO**
e-mail: bubelo.a@donnu.edu.ua
Scientific coordinator: **OLENA RAZBORSKA**
e-mail: heavenlove@i.ua
Vasyl Stus DonNU, Ukraine

Abstract. *Nowadays, investors want more information than just financial results to make their decisions, and they are increasingly looking for more. Integrated reporting is a reliable source for making management decisions. Integrated reporting is not a novelty in the field of accounting, which does not have its own theoretical and methodological foundations; it is closely related to financial and non-financial reporting, but in the course of its development, integrated reporting is based on its own principles and methods of construction.*

Keywords: *integrated reporting, financial statements, report, conducting business, investor, standardized reports.*
JEL: M40, M41

Introduction

The basic concept of integrated reporting, which is used by the majority of scholars in the accounting field, is a process that leads to the preparation and presentation of indicators by an enterprise that reflect possible risks, prospects and links financial and non-financial indicators. Integrated reporting is a short but informed report on the management of an organization, the use of strategies in its development and further short, medium or even long-term prospects in the external environment. Integrated reporting emerged as the accounting industry evolved, driven by the growing demand from users for better information coverage and transparency in reports. Integrated reporting differs from other forms of reporting in that its scaling methodology was developed not on the basis of regulations that would regulate it, but through the experience gained in reporting under the influence of external users' requirements.

Basic content

Integrated reporting forces businesses to consider how their reserves will create business value. In simple terms, it includes environmental, social, and governance considerations. Attention is also drawn to intangible assets that are not measured, such as licenses, trademarks, copyrights, etc (Cosmulese et al., 2017). In 2009, the IIRC (International Integrated Reporting Committee) was established to oversee integrated reporting. For the committee, integrated reporting is about supporting businesses that express a unified view of their prospects and development strategy, management actions to manage risks, which allows investors to have confidence and improve future prospects. The pattern is that financial statements, which used to guide investment decisions, are based on factual information that was available in the past, and its disadvantage is that it is primarily focused on finance, although today's business depends on many other factors and resources. These resources include the experience of employees, intellectual property, various licenses, and the relationship between the business and the society in which it operates. If we turn to Ernst & Young, in their report titled "Do non-financial results reveal the true value of the business to your investors", they showed that in recent years, investors have become increasingly aware that they are aware of all the risks and benefits for the elements and can avoid the impact and experience the benefits of value creation that will come from the non-financial performance of the enterprise. Integrated reporting is not just about numbers, it is a whole separate philosophy, working with it, users see it not as a regular report, but as a separate "integrated thinking". Tom Roundell Green is the Global Sustainability Reporting and Communications Manager at JLL: "In my view, integrated thinking is the goal, and integrated reporting is an incidental application of that." Jennifer Anderson, Head of Responsible Investment at Pensions Trust, said: "In the past, the focus has always been on the governance side. Corporate governance was the area with the most weight and importance for investors. But recently, climate change has become more pronounced, environmental risks have really risen to the top of the agenda, and now it seems to be of equal weight and importance."

Investors are looking beyond financial performance to social and environmental factors. A survey among Ernst & Young respondents showed that in 2020, 60% voted that non-financial indicators almost never affect financial indicators, and in 2021 this figure decreased to 16%, which indicates the interest and need for such a reporting format as integrated reporting. The interest in integrated reporting is growing more and more every day, and the further it goes, the more it shows its potential and becomes more desirable for investors and external users.

Based on international experience, there are three ways to prepare standardized reports.

1. The first method (based on the Global Compact) involves the preparation of reports on the development of the dissemination of the principles of the Global Compact and is the most common.
2. The second method (based on the GRI (Global Reporting Initiative)) involves the preparation of a report that reflects information about the state and scope of the enterprise in

- economic - reflects views on economic results, practices related to purchasing and selling;
- environmental - reflects information related to the use of various materials in production, energy, water, discloses information on compliance with environmental requirements and other aspects;
- social - shows indicators used in relations and ensuring safe working conditions, etc.

3. The third method (based on the International Integrated Reporting Standard and the principles of full and clear disclosure) - according to this method, a report is generated that discloses issues related to the company's development strategy, possible risks, internal and external business environment.

Today's realities are characterized by various changes in the areas of economic activity and ways of doing business. The changes were triggered by resource scarcity, economic and environmental problems, globalization and other equally important events (Cosmulese et al., 2019). Given these conditions, international scientists have settled on the concept of sustainable development, which reveals itself in these conditions and consists of economic growth, production and consumption within the limits that allow ecosystems to recover. The main condition for this concept today is the preparation of integrated reporting, which links information on financial and non-financial indicators, business management, threats and various perspectives and strategies of business development.

The most important advantage of such a report is that all information is better aligned with the needs of investors, and for users, such reports provide more accurate information about the enterprise in non-financial terms, explaining how the outlook will affect business development and risk threats. Such reports disclose information to investors in terms of non-financial indicators, and such information is a way to overcome uncertainty in strategic goals.

What can hinder the effective implementation of integrated reporting? To begin with, it should be noted that for small companies, the problem may lie in the fact that they need to address the issue urgently and allocate additional time resources. It takes time to identify, display, and process data. Every company needs these resources because they add value to companies that are preparing for a difficult and long journey. Following these principles will pay off, no matter how daunting they may seem.

Financial reporting and integrated reporting. The International Federation of Accountants (IFAC) and the IIRC have created an Integrated Reporting PAO Network in an effort to encourage wider adoption. This step can be labeled as a new stage in reporting, but it should not be forgotten that integrated reporting is not a simple round robin process, i.e. it cannot be reported in a clear timeframe, but should be considered as integrated thinking, because it requires thinking about all possible risks, offers, prospects and activities, which will not be easy for the proponents of financial reporting. Accountants and auditors gain unrivaled experience working with integrated reporting because it is an opportunity to develop and gain new knowledge that can lead to new and promising jobs.

Conclusions

Integrated reporting gives investors confidence that they are looking at a company that is trustworthy, growth-oriented, carefully evaluates its operations, and is ethically and environmentally responsible, rather than simply seeking short-term growth. Thus, integrated reporting as investor confidence in the face of uncertainty is the introduction of integrated reporting into the activities of modern corporations, which is a fundamental way to solve the main problems of accounting and involves not only cosmetic transformations of approaches to accounting and the process of financial reporting, but is based on a new integrated approach with its own goals, principles and developed ideology.

Bibliographical references

1. International Accounting Standard 1 (IAS 1). Presentation of Financial Statements Document 929_013, current edition – Edition of 01.01.2012.
2. Project of the international format of integrated reporting IR.Integrated reporting. Elevating value. – EYGM Limited, 2020. - 50 p.
3. King Code of Governance for South Africa 2009. – Institute of Directors in Southern Africa, 2009. – 66 p.
4. Cosmulese, C. G., Socoliuc, M., Ciubotariu, M. S., Mihaila, S., & Grosu, V., An empirical analysis of stakeholders' expectations and integrated reporting quality. Economic research-Ekonomska istraživanja, 2019, 32.1: 3963-3986.
5. Cosmulese (Leliuc), C. G. L., Grosu, V., & Hlaciuc, E. (2017). Definitions attributed to goodwill in the economic literature and conceptual delimitations regarding the way of valuation and exposure of this patrimonial component in the balance sheet. Ecoforum Journal, 6(3). http://www.ecoforumjournal.ro/index.php/eco/article/view/738
6. Towards Integrated Reporting. Communicating Value in the 21st Century. – IIRC, 2011. – 30 p.
7. Passant F. What do investors expect from non-financial reporting? / F. Passant, G. Hewitt. – ACCA, 2013. – 12 p.
8. Integrated Reporting. The Future of Corporate Reporting. – PricewaterhouseCoopers, 2012. - 80 p.

9. Busco C. Redefining Corporate Accountability through Integrated Reporting / Cristiano Busco, Mark L. Frigo, Paolo Quattrone, Angelo Riccaboni // Strategic Finance. – 2013. – P. 33-41.
10. Guthrie J. Intellectual Capital: Australian Annual Reporting Practices / J. Guthrie, R. Petty // Journal of Intellectual Capital. – 2000. – Vol. 1. – No. 3. – P. 241-251.
11. Integrated Reporting. The Future ofCoiporate Reporting. – PricewaterhouseCoopers, 2021. – 80 p.
12. Oshika T. Created Value as Sustainability KPls for Integrated Reporting / Tomoki Oshika, Chika Saka – URL: papers.ssm.com/sol3/papers.cfin?abstract id=2547339.