



Department of Accounting
Faculty of Management Studies and Commerce
University of Sri Jayewardenepura, Sri Lanka

ASSESSING THE DISCLOSURE OF MATERIALITY ANALYSIS IN INTEGRATED REPORTS: EVIDENCE FROM SRI LANKA

✉
Nusari A, Henadirage A

Department of Accounting, University of Sri Jayewardenepura

ABSTRACT

The disclosure of materiality analysis in integrated reports demonstrates the genuine intention of business organisations to fulfil stakeholders' information requirements through stakeholder needs and expectations analysis. This study assesses whether the Sri Lankan companies have taken the required initiatives to disclose the materiality analysis in their integrated reports. This research will assess the above concerns with the support of stakeholder and legitimacy theories. Integrated reporting (IR) has opened avenues for increasing the content validity and quality of reports published by companies by providing required guidelines and reporting Standards. Reporting on the materiality analysis is required by the Global Reporting Initiative (GRI) 3 Standard and the International Integrated Reporting Council (IIRC) Framework but remains voluntary. The revised Standard provides guidance on what information the companies are required to disclose, how they have prioritised material topics, and how they have decided the extent of related disclosures. Accordingly, this study will provide insights into the aspect of disclosure of materiality analysis in the annual reports of companies listed in the Colombo Stock Exchange (CSE) by analysing the annual reports of the selected listed companies in the years 2016/17, 2017/18, 2018/19, and 2019/20. A binary disclosure index has been developed to indicate whether the materiality-related disclosures have been mentioned and explained as required. The disclosure index will be quantified and statistically tested to arrive at conclusions regarding the analysis. The study has revealed that there is a growing trend in the disclosure of materiality analysis in the annual reports of the Sri Lankan listed companies. The companies have dedicated a few pages in their annual reports to discuss their materiality analysis process and the key stakeholders. Meanwhile, there is a lack of information on the methods used by the companies to identify their stakeholders. However, they have revealed information on the methods used to identify their material topics to some extent.

Keywords: Integrated Reporting, Legitimacy Theory, Materiality Disclosure, Sri Lanka, Stakeholder Theory

Received:
25.02.2023

Accepted revised version:
20.10.2023

Published:
24.12.2023

Suggested citation: Nusari, A & Henadirage, A 2023, 'Assessing the disclosure of materiality analysis in integrated reports: evidence from Sri Lanka', *Journal of Contemporary Perspectives in Accounting and Digitalization*, vol. 6, no. 1, pp. 54-78.

JCPAD © 2023 is licensed under Creative Commons Attribution 4.0 International license which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

✉ nasjadh212@gmail.com

1 INTRODUCTION

IR is an emerging area of interest in corporate reporting. Tili, Othman and Hussainey (2019) point out that the IR practice guided by the International Integrated Reporting Framework (IIRF) was introduced by the IIRC to respond to the growing needs of different stakeholders. The topics and content that reporters prioritise in their annual reports have a big impact on deciding the value of the information they present. The relevance of the topics included in the IR is decided by the materiality process (Gelmini et al. 2015). Accordingly, the businesses are also expected to disclose the information regarding the materiality analysis they performed in this aspect. Steenkamp (2018) states that the IIRF requires companies to disclose the material aspects and materiality determination processes in their annual reports.

In IR, a matter is material if it could substantively affect the organisation's ability to create value in the short, medium, or long term (IIRC 2015). The aspect of disclosing materiality analysis, which was a part of GRI G4 which is the fourth generation Sustainability Reporting Guidelines, has now been mapped to the revised Standard of GRI 103: Management Approach. The GRI 103 (presently GRI 3: Material Topics) requires the companies to focus on three aspects when disclosing the materiality analysis including identification of material topics, evaluating their impacts, and management of material topics and related impacts (GSSB 2020).

This study relates the disclosure of materiality analysis in the annual reports of the company by viewing them from the perspectives of stakeholder theory and legitimacy theory. With the higher adoption and extensive use of integrated reports, the information demand of stakeholders has increased, which has required the companies to re-think how they can increase transparency in communication with the stakeholders (Steenkamp 2018).

The stakeholder theory which argues that the firm should create value for all stakeholders expects that the companies should provide detailed information in this regard. Companies can enhance transparency to relevant stakeholders by reporting on their materiality analysis (Junior, Best & Cotter 2014). Meanwhile, the legitimacy theory emphasises that companies should see the annual report as a medium by which they can legitimatise their existence and activities toward the public. Beske, Haustein and Lorson (2020) clarify that the legitimacy theory requires the companies to address the public at large, unlike the stakeholder theory which focuses mainly on the selected stakeholder groups. In contrast, the legitimacy theory can also pave the way for the non-disclosure of certain material aspects that would harm the goodwill of the company in society (Beske, Haustein & Lorson 2020).

The purpose of this study is to examine the extent to which publicly listed companies in Sri Lanka have complied with the disclosure requirements specified by the GRI 103 (presently GRI 3: Material Topics), in Sri Lanka, a developing country where IR is a growing area of knowledge and practice (Cooray et al. 2021). Previous empirical studies have been conducted on the disclosure of materiality assessment in different countries and regions. Although many studies are being conducted on the different aspects of IR, this area of study is still unexplored in the Sri Lankan context.

The IIRF released by IIRC has played an important role in shaping the content and structure of annual reports published by the companies (IIRC 2021). Accordingly, several research studies have been conducted on the extent to which the companies have complied with these requirements of the IIRC framework. IIRC (2021) states that an IR should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium, and long term. So, the companies are required to perform a materiality analysis to decide which topics they are going to prioritise in their annual reports and to what extent they are going to provide information concerning each topic. The disclosure of materiality analysis

in the annual report is a serious concern and equally important as the materiality assessment itself. It provides knowledge to the stakeholders on the basis by which the entity has reported on each of the aspects (Gelmini et al. 2015).

However, the number of companies attempting to disclose materiality assessment is still questionable. According to a survey conducted by KPMG in 2022, only 77% out of the world's largest revenue-making 250 companies have disclosed facts regarding materiality assessment in their annual reports. With the increase in the emphasis placed by Standard setters on the need for disclosing materiality assessment, the companies are also expected to take serious concern over this matter. Also, little information is known about the materiality determination process of the companies that have adopted IR (Steenkamp 2018).

The GRI 3: Material Topics Standard requires companies to disclose the details regarding the materiality analysis under sub-topics (GRI 2021). Despite the rising importance of disclosure of materiality assessment, only a few research have been carried out in this area. Beske, Haustein, and Lorson (2020) highlight the emerging academic focus on materiality assessment disclosure in integrated reports in countries such as Germany, South Africa, and the Gulf Cooperation Council (GCC).

Sri Lanka is a country that has witnessed the fast diffusion of IR and has a supportive environment for the adoption of IR practices (Cooray et al. 2021). Hence, Sri Lanka is one of the prospective places to carry out the study on the disclosure of materiality analysis. This study aims to fill the research gap that has been identified in the Sri Lankan context about materiality disclosure in integrated reports. There exists a need to evaluate whether the Sri Lankan companies have complied with GRI 3: Material Topics Standard and if yes, to what extent they have taken initiatives to comply with these requirements.

This study aims to address the following three research questions.

1. To what extent do Sri Lankan companies report on their materiality analysis in their annual integrated reports?
2. What are the methods used by Sri Lankan publicly listed companies in engaging with stakeholders and analysing the material topics/aspects?
3. Is there a higher disclosure of information on materiality assessment because of the GRI Standard?

To derive answers to the above-identified research questions, this study intends to achieve the objectives such as to assess the extent of disclosures of materiality analysis made by the Sri Lankan companies in their annual integrated reports, to validate the methods used by the companies for the analysis of stakeholders and relevant topics/aspects and to determine whether there is a potential for higher disclosure of information due to complying with the Standards.

The rest of the paper has been structured as follows. Section two elaborates on the review of the literature, section three presents the discussions on the methodology used for conducting the research, section four is dedicated to narrating the findings of the research, and section five summarises the entire paper as a conclusion to the study.

2 LITERATURE REVIEW

2.1 Concept of IR

The annual reports provide information on the historical performance of the company to satisfy the information needs of a variety of stakeholders and reporters must follow reporting

guidelines to avoid criticisms of ineffective reporting from the users (Steenkamp 2018). IIRC (2021, p. 10) has defined an integrated report as follows:

“An integrated report is a concise communication about how an organisation’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation, preservation, or erosion of value over the short, medium, and long term.”

An integrated report narrates the story of how the company creates value (Aras, Furtuna & Kazak 2021). Ackers and Adebayo (2021) assert that the integrated report aims to integrate and bring the financial and non-financial information of the reporting entity that needs to be disclosed into one place. By doing so, the IR assists the entities to achieve trust by providing a mechanism for being increasingly transparent and accountable for their decisions and actions. Further, the report published by IIRC (2021) elaborates that integrated reports are outcomes of IR which is a process founded on integrated thinking. As stated by Steenkamp (2018), IR is an effective reporting solution for the growing and urgent information needs of stakeholders and it is the information bridge that connects corporate governance practice and stewardship. There exists an inherent link that connects corporate reporting with the IR (Girella, Zambon & Rossi 2021). Moreover, IR is a more cohesive and efficient corporate reporting approach that aims to address the limitations of previously adopted models of financial reporting (Steenkamp 2018).

The IR framework has not only been developed to meet the reporting needs of ‘for profit’ entities but has also been designed in such a way to be able to be used by almost all organisational types regardless of their nature and size (IIRC 2013). The focus of IR has been asserted by Girella, Zambon and Rossi (2021), as communicating the strategies and goals of the entity and the impact it has on the society and environment in which it operates. The IR is being identified as a preferred reporting method widely adopted around the world and it has also gained the support of professional accounting bodies, requiring accountants to be involved in the preparation of integrated reports extensively in the future since they are the persons within the organisation who have required knowledge on the organisational operations (Arora, Lodhia & Stone 2021). As per the research conducted by Hichri (2021), the IR has been selected as the reporting approach of more than 1,500 companies around the world. Furthermore, Arora, Lodhia and Stone (2021) state that the accounting professionals within the organisation have the responsibility to take up IR and to persuade management to consider important non-financial information when making strategic decisions.

Since the practice of adopting IR has now reached maturity and has become widely accepted it is high time to ensure perfection in those reports being published. Each company using IR should have an IR policy and it should be overseen by the board of directors with the assistance of the audit committee (Hichri 2021). In addition, as indicated by Rinaldi, Unerman and de Villiers 2018, the integrated reports should have the ability to provide information about interrelated aspects of the company to the relevant stakeholders such as managers, investors, and so on. The scope of IR is not limited to financial information, rather regulations have been enacted in various countries for non-financial reporting as well (Haji & Anifowose 2017). Hirchi (2021) predicts that the integrated report will become the corporate report norm in the future despite its voluntary compliance.

Despite the wide acceptance of IR, certain barriers limit the involvement of reporters. For instance, as found by Arora, Lodhia and Stone (2021), most entities focus on financial information whereas non-financial aspects such as environmental, social, and governance factors are given less focus. The IR has also been criticised for being unclear with the

framework and not having enough guidelines to facilitate the reporters, which in turn affects the consistency in the understanding of users.

This research was conducted in Sri Lanka, a developing country which was identified as an early adopter of IR in the South Asian region. Regardless of being a voluntary practice, IR has been adopted by many Sri Lankan companies (Gunarathne & Senaratne 2017). Sri Lankan public listed companies are listed in the CSE, and it is being monitored by the Securities and Exchange Commission (SEC). Lakshan, Low and de Villiers (2021), highlight that Sri Lanka was one of those countries that participated in the IIRC IR pilot program in the year of 2011 when IR was first introduced and by the year 2017 around 40 companies adopted IR out of 295 companies listed in CSE at that time. As per the study of Cooray et al. (2021), Sri Lanka is identified as one of the top countries that have a proportionately high number of IR adopters worldwide where around 83 companies adopting IR among them in 2018. Despite the early adoption, Gunarathne and Senaratne (2017) also pointed out that IR adoption in Sri Lanka is being done by many companies without understanding the real meaning of IR, rather it's being adopted as just another reporting approach.

2.2 IR Through the Lens of Stakeholder Theory and Legitimacy Theory

When viewing the materiality concept from the theoretical lenses, the stakeholder theory and legitimacy theory have a significant impact on IR and could assist in the process of determining the materiality (Gelmini et al. 2015). IR becomes an enhanced reporting approach by disclosing how the legitimacy needs and stakeholder interests have been found and responded to (Haji & Hossain 2016). Dumay et al. (2017) present an opinion that the IR builds stakeholder trust and legitimacy as its reporting mechanism acts to provide the required level of accountability and transparency.

2.2.1 Stakeholder theory

Freeman (1984) has stated that the stakeholders are those who affect and get affected by the decisions and activities of an organisation. The target audience of the IR is firstly those who provided capital and then those who are identified as having a stake in the organisation (Girella, Zambon & Rossi 2021). The organisation must balance the multiple interests and expectations of the stakeholders. In addition, according to the stakeholder theory, the organization must engage in activities that the organisation considers important to stakeholders in general and report information that stakeholders expect to know from the annual reports (Susith & Stewarts 2014).

As stated by Ferrero-Ferrero et al. (2018) the stakeholder theory invites the reporting entity to ensure that the integrated report published by them considers the reasonable expectations of those interested in companies' performance not limited to owners. The consideration of stakeholder interest in the IR improves the quality of the information provided in it. The quality of all sorts of information provided in the integrated report is reflected by the extent to which it caters to the demands of stakeholders (Hichri 2021).

Companies are not only liable to report to their shareholders but also to a wide number of stakeholders who are interested in knowing about how the company uses the resources and relationships obtained by it to generate sustainable value. This should be appropriately disclosed in such a way that it reflects the fulfilment of its accountability, and this would make the report to be highly valid and trustable. Thereby it enhances the value of IR by linking it suitably with stakeholders' needs (Ackers & Adebayo 2021). According to Kilic and Kuzey (2018), the IR becomes a tool that helps the stakeholders get a foresight about the sustainability of the entity's performance by reducing the asymmetry in information to some extent.

As per the IIRC (2021), it is obvious that the stakeholders are increasingly becoming involved in the development and usage of integrated reports. Hence the organisations can be pressurised by the powerful stakeholder groups in selecting which information to prioritise in the annual report (Beske, Haustein & Lorson 2020). Ackers and Adebayo (2021), state that the IR is also debated as supporting stakeholder primacy. The voluntary disclosures in IR enable the entities to bridge the information asymmetry between managers and other stakeholders (Ching & Gerab 2017).

2.2.2 Legitimacy theory

Suchman (1995) identifies legitimacy as a process of how organisations justify their right to exist and operate in society by tallying their actions and decisions with societal norms and values, thereby convincing the public that their actions as a company are appropriate and useful within the societal context. According to Ching and Gerab (2017), legitimisation is socially acceptable behaviour, which invites firms to comply voluntarily with social values and morals.

Legitimacy theory is explained as a social contract between society and an organisation by which the organisation attempts to legitimise its existence in society while ensuring its compliance with societal norms and expectations (Deegan 2009). As per the social contract, the operations of the organisation will be evaluated by the society from which the organisation obtained resources. Accordingly, the legitimacy theory expects voluntary reporting to address the information needs of the broad public rather than limiting it to a few stakeholders (Beske, Haustein & Lorson 2020). Aras, Furtuna and Kazak (2021) point out accountability as a tool that is present in IR which improves its legitimacy.

Organisations are identified as legitimate when they act satisfactorily about the expectations of society regarding the results of the entity's activities (Ferrero-Ferrero et al. 2018). Accordingly, the legitimacy theory requires the entity to make disclosures that have an impact on the maintenance of the social contract (Ackers & Adebayo 2021). The integrated reports being made available publicly and the disclosures made them ensure that the organisation establishes its legitimate role (Ackers & Adebayo 2021).

The legitimacy theory is concluded as having a wide perspective in persuading a firm to make environmental disclosures compared to the stakeholder theory, but the identification of significant stakeholders acts as a common feature for both theories (O'Donovan 2000). The overall aim of both theories is to reduce the asymmetry of information to achieve and sustain legitimacy while obtaining support from the stakeholders.

2.3 Empirical Literature on the Concept of Materiality

The integrated report takes pride in allowing for the identification of various material topics than what was available in the sustainability reporting process (Lakshan, Low & de Villiers 2021). Steenkamp (2018) highlights that the IR framework provides primary guidance on materiality analysis and relevant disclosures. Lorenzo et al. (2016) stress the importance of materiality analysis stating that it acts as the heart of a reporting environment. Materiality acts in bringing conciseness to the reports (Lakshan, Low & de Villiers 2021).

The discussion on materiality has been recognised as a foundation of IR recently and it facilitates identifying which aspects of an organisation should be reported to ensure transparency to and understanding of the users of annual reports (IIRC 2015). Also, when companies disclose their materiality analysis, it could further increase the transparency of integrated reports (Junior, Best & Cotter 2014).

2.3.1 Materiality analysis and its importance

According to the recent report of IIRC (2021), information is considered material if it can substantively affect the organisation's ability to create value over the short, medium, and long term. Information is considered material if its omission, misstatement, or obscuring can influence the decision of the intended users (IASB 2020). Material topic has been defined by GRI (2020) as the information that reflects the organisation's most significant impacts on the economy, environment, and society. As highlighted by Gelmini et al. (2015), the aspect of what is material to the users of financial statements and how far it would impact their decision, depends on the nature and or magnitude of the item to which the information relates.

Materiality analysis can be termed as a process where the reporters segregate useful information from irrelevant information (Lai, Melloni & Stacchezzini 2017). Identifying material aspects is the starting point of IR which defines the contents of IR (Steenkamp 2018). Materiality analysis could be denoted as a process by which a company prioritises its relevant aspects that are to be included in the integrated reports (Beske, Haustein & Lorson 2020). The organisation is required to prioritise the topics that have a more significant impact on the stakeholders such as the economy, people, and environment, etc. in their annual reports (GSSB 2020). Aras, Furtuna and Kazak (2021) state that the identified material aspects should follow the entity's stakeholder analysis, and they should complement the strategic objectives of the company under consideration. The needs of various stakeholders are required to be taken into consideration when the firms are deciding the materiality and material topics (Lakshan, Low & de Villiers 2021).

Lakshan, Low and de Villiers (2021), state that, for investors to make a well-informed decision all sorts of material financial and non-financial information need to be disclosed in integrated reports. The companies should design their annual reports in such a way that it allows shareholders to evaluate the company's long-term and short-term performance (Calabrese et al. 2017). The materiality analysis has an important impact on the level of disclosure of IR (Aras, Furtuna & Kazak 2021). Further the GRI G4 (recently revised as GRI 3) Standard provides guidelines on how companies could prioritise relevant matters when deciding the contents of their annual report by considering the different stakeholder views (Calabrese et al. 2017). The engagement of stakeholders when determining the material aspects would be an ideal move as it paves the way for more concise reporting that meets the information needs of the audience of IR (Lakshan, Low & de Villiers 2021).

2.3.2 The necessity of disclosing materiality analysis in annual reports

According to GRI (2016), the reporting organisation shall include an explanation of how the materiality principle was applied to identify material topics, including any assumptions made. The companies may use the techniques of the materiality matrix when deciding on the material topics in the IR (Lakshan, Low & de Villiers 2021).

Farooq et al. (2021) have stressed that the reporters are encouraged to disclose information on how they undertook the materiality analysis, in their annual reports. The ultimate responsibility of determining which information is material and relevant to the stakeholders lies with the board of directors. Further, the management must ensure that this analysis has been done from the stakeholder perspective reflecting their reporting expectations in all possible ways (Lakshan 2018).

As per GRI (2021), the GRI 3: Material Topics Standard requires organisations to report on the following aspects of the materiality analysis carried out by them.

- The companies must report the process to determine material topics.

- The list of material topics that have been identified.
- Describe how the company has managed the material topics and related impacts by way of its policies, commitments, and actions along with the effectiveness of actions.

The disclosure of materiality assessment as per these guidelines will certify the true and fair view of the annual report while supporting the economic decision-making of stakeholders (Puroila & Makela 2018).

2.3.3 Challenges and factors affecting the disclosure of materiality analysis

Although the GRI 103: Material Topics Standard has come up with guidelines and requested the companies to disclose their materiality analysis, reporting on the materiality assessment in the integrated report remains voluntary to date (Beske, Haustein & Lorson 2020). Further Beske, Haustein and Lorson (2020) have indicated that companies commonly have the practice of reporting on their materiality analysis but there exists a vagueness in the extent of reporting, methods of identification, and relevant impact on stakeholder groups, etc. Lakshan, Low and de Villiers (2021) also highlight that the companies do not have enough guidance and experience in the process of deciding the materiality.

Some companies voluntarily report on their materiality assessment process in the annual report since it assists the reporters in avoiding external scrutiny of the company's reporting practice (Farooq et al. 2020). There are instances, where the companies could attempt to misuse the materiality concept to avoid the disclosure of negative information in their annual reports (Beske, Haustein & Lorson 2020).

Further, the research done by Steenkamp (2018) reveals that there are considerable differences in the materiality determination process of the companies due to the subjectivity of the process. Also, disparities have been noted in 'what' each company considers material for it, which in turn could cast challenges when comparing integrated reports of different companies. There are difficulties faced by entities when converting the 'significance of information' into a monetary term since the decision of information significance is a subjective concept. The inclusion and involvement of a considerable portion of non-financial information is also an important challenge faced by reporters (Lakshan, Low & de Villiers 2021).

There is a possibility that the companies can prioritise the information needs of only a few stakeholder groups such as investors and finance providers when determining which aspects to be considered material in the integrated reports (Beske, Haustein & Lorson 2020). Further, the process of determining what is material to be disclosed in reports can be influenced by certain powerful stakeholder groups. Furthermore, certain matters such as environmental and social implications of the company's operations, which one group of stakeholders expects the company to report on, can be opposed by another group of stakeholders (Puroila & Makela 2018).

On the other hand, the disclosure requirements of GRI can be disadvantageous to the company as well since it may result in higher disclosure which could demotivate investors of the company (Beske, Haustein & Lorson 2020). As argued by Pistoni and Songini (2016), certain information that is material and considered positive by one group of stakeholders can be immaterial and considered negative by another group.

As per the interview results of Lakshan, Low and de Villiers (2021), it was found that the variety of structures, business processes, etc. makes the materiality determination process more difficult. Further, the lack of ability to engage the stakeholders in the materiality determination process, makes it more challenging when deciding upon the non-financial information, as the

responsiveness of stakeholders is identified as a strong factor affecting the materiality assessment. Beske, Haustein and Lorson (2020) have also highlighted that the complete process of materiality assessment every year and disclosing them in the annual report can potentially consume more time and resources. This could discourage the company's attempt to conduct a materiality assessment and its compliance with disclosure requirements.

2.4 Research Gap

There are many pieces of research conducted on IR, yet the studies conducted on materiality analysis within the context of IR are scarce, hence future researchers shall focus on the disclosure of materiality assessment in the annual report to explore the quality of the information provided (Farooq et al. 2020). In addition, Beske, Haustein and Lorson (2020) have suggested that future research can focus on companies with different characteristics to gain more insight into the disclosure of materiality analysis. As added by Lakshan, Low and de Villiers (2021), future research would add more value when they are focused on many companies within a wide range of industries.

Sri Lanka is a country where IR remains a voluntary reporting practice and more companies are adopting IR despite its voluntary requirement (Cooray et al. 2021). Further, it is a country worth choosing as a place of research on IR since it is a developing country with a higher IR adoption rate (Lakshan, Low & de Villiers 2021). Studies have been conducted on certain aspects of IR such as the level of adoption by analysing the content and elements of IR (Cooray et al. 2021), compliance with IR disclosure (Abeywardana 2016), corporate governance and quality of IR (Cooray et al. 2020) and value relevance and IR (Cooray et al. 2020). Accordingly, the studies on the disclosure of materiality analysis remain a yet-to-be-researched area of study.

3 RESEARCH DESIGN AND METHODS

3.1 Research Approach

This research was conducted using a quantitative research approach. Initially, the annual reports were scanned to extract required data and insights from the annual integrated reports of the companies published in the recent past. An archival research approach and content analysis were used for this purpose. Further, the collected information was summarized using a binary-coded disclosure index to measure and compare the extracted data. The numerical values were subjected to statistical measures of a one-sample t-test and the conclusions were derived from them.

3.2 Population and Study Sample

The relevant population for this study is the companies listed in the CSE. The companies from all 20 industries in the CSE, as classified by the GICS industry groups, were considered for the analysis. The 85 companies that were identified as IR adopters among the listed companies during the study period have been shortlisted as the relevant sample of this study.

3.3 Sources of Data and Data Collection

Secondary data was used for the study and the source of data was the published annual integrated reports of the selected sample of companies for the financial year 2016/17, 2017/18, 2018/19, and 2019/20. The reports are available for download on the websites of the respective companies.

Data collection was done using a data collection template that has been developed in such a way as to extract details from the annual reports as required to answer the three research

questions of this study. The collected data was digitally stored and subjected to further analysis to obtain results from this study.

3.4 Data Analysis Strategies

The data required for the research study was collected from the annual reports of the companies through the screening process. The integrated reports of the companies were scanned by using specific keywords to figure out if the company under consideration has reported on the materiality analysis process or not.

The data collection process was conducted by using a content analytical approach. Initially, the necessary data was extracted from the annual reports and then quantitative analytical steps were used to address the research questions.

Hence, the data analysis strategy can be elaborated under 4 steps as indicated below.

Step 1 - The selected sample of integrated reports were scanned for the following information.

1. Definition of the materiality analysis
2. The aspects/topics reported on
3. The methods used by the companies to identify stakeholders and aspects/topics.

The collected data was digitally stored for further analysis.

Step 2 - An inductive approach was used to extract paragraphs from the data material to get an overall understanding of the methods used to identify stakeholders and aspects/topics. This step was conducted to address research question 2.

Step 3 - To further analyze and address research questions 1 and 3, a disclosure index was developed with a binary-coded scoring index. The disclosure index consists of nine different categories which were scored as follows.

- 1 - Information is available
- 0 - Information is not available

Step 4 - To make a comparison between the selected 4-year period and to further address research question 3. The disclosure index was quantified and statistically compared using a one-tailed t-test for a paired sample.

3.5 Data Analysis

The research study was primarily focusing on the companies that adopt the IR approach in their annual report. Accordingly, a total of 85 companies that adopted IR approach in at least one year during the period from 2016/17 to 2019/20 were identified as the relevant study sample. Although there was an upstream trend in the adoption of IR among companies till the reporting year 2017/18, there was a gradual fall in the number during the reporting year 2018/19 and a sudden fall in the reporting year 2019/20. The reasons for such a downstream trend are the economic crisis in general and an unexpected breakout of the COVID-19 pandemic in the early part of the year 2020 in Sri Lanka. Table 1 - depict the trend in the adoption of IR by the selected sample of 85 companies during the periods of study. Moreover, the annual reports of a few companies were not available in certain reporting periods, which has also been depicted in Table 1 to get a comprehensive view of the selected samples of this study.

Table 1: IR Adapters

Description	2016/17	2017/18	2018/19	2019/20
Companies that published integrated reports	61	77	71	51
Companies that did not publish integrated reports within the year	20	2	7	31
Companies for which the integrated reports were unavailable	4	6	7	3
Total sample	85	85	85	85

Source: Author Constructed

As step 1 of the analysis, the annual reports of the companies that were identified as the IR adopters during the respective periods were subjected to an initial screening process to identify whether they have reported information about their materiality assessment process as required by the GRI G4. It was identified that most of the IR adopters have made disclosures about their materiality assessment process even though it is a voluntary requirement. Table 2 depicts the data on the number of companies that reported on materiality in their annual integrated reports.

Table 1: Disclosure of Materiality

Description	2016/17	2017/18	2018/19	2019/20
Companies that reported on materiality	55	71	66	42
Companies that did not report on materiality	6	6	5	9
Total No. of companies that published integrated reports	61	77	71	51

Source: Author Constructed

The findings of Table 2 have been graphically represented in Figure 1 for ease of understanding.

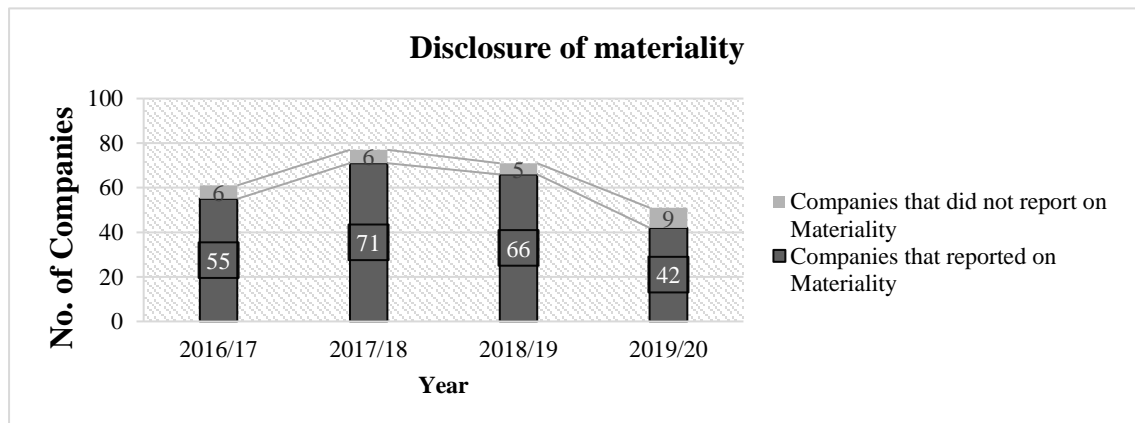


Figure 1: Disclosure of Materiality

Source: Author constructed

Proceeding with step 2, the annual reports of the companies that reported on materiality analysis were further studied to get a comprehensive understanding of what, how, and to which extent those companies have reported on their materiality process. The reports were also scanned to list down the methods followed by respective companies to identify their stakeholder and to identify the topics and aspects that must be prioritised to cater to the needs of those stakeholder groups. It was found that the companies were using a range of methods for both the above purposes. This step was crucial to find the answer the research question 2,

i.e., to validate the methods used by the companies to identify their stakeholder groups and material topics.

In step 3, a deeper study was conducted to address research questions 1 and 3, i.e., to assess the extent of materiality disclosures in annual reports and to evaluate whether an excessive disclosure approach has been practised by the companies due to this compliance. This step aimed to develop a disclosure index by using a binary coded scoring system to score the companies based on the nine criteria in which the companies are expected to disclose details in their annual reports. Those nine criteria were developed in such a way as to explore whether the company has stated a definition for ‘materiality’, whether it has identified its stakeholders, what method it has used to identify the stakeholders, whether the company has identified the topics or aspects that are material to the stakeholders and what is the method the company has chosen for the identification of material topics/aspects. The scores were given based on whether the company has just designated the above or if it has explained in detail about those aspects. A score of ‘1’ was given to the company if it reported the details on each of the respective criteria and a score of ‘0’ was given if it has not. The summarised results of the above process have been presented in Table 3.

Table 2: Disclosure Index

Disclosure	Category	2016/17	2017/18	2018/19	2019/20
No. of Companies		55	71	66	42
Definition of Materiality		27	32	30	23
The Stakeholders	Designated	53	71	66	42
	Explained	49	65	65	40
Method of Identification of Stakeholders	Designated	53	71	66	42
	Explained	16	23	18	9
Relevant Topics/Aspects	Designated	54	70	66	42
	Explained	35	50	44	27
Method of Identification of Relevant Topics/Aspects	Designated	52	68	63	39
	Explained	21	27	29	15

Source: Author Constructed

Note: 1 - Information is available

0 - Information is not available

Designated - Simply stated

Explained - Elaborated the matter in detail

A company is given a score for both ‘the designated’ and ‘explained’ categories if it has elaborated the matter in a more detailed manner.

In the 4th step, the disclosure index values are subjected to a comparison with successive years by using a statistical comparison technique. The paired sample t-test was conducted to address the 3rd research question. This step aims to find out whether complying with Standards has led the companies to disclose more information on a year-on-year basis.

4 ANALYSIS AND DISCUSSION

4.1 Findings of Study

This section is dedicated to the discussion on how the three research questions were addressed by using the results arrived from the data analysis process. Research question 1 was answered by the disclosure index presented in Table 3. Research question 2 was discussed using the data collected and analysed on different methods used by the companies for establishing the

stakeholders and material topics/aspects. Research question 3 was addressed by using the results of statistical comparison made using the paired sample t-test conducted on the collected count of disclosure index.

As per the disclosure scores obtained by the individual companies, it could be identified that most of the companies have attempted to present information about their materiality assessment process by using a separate section in their annual integrated report. Addressing research question 1, i.e., to what extent do Sri Lankan companies report on their materiality analysis in their annual integrated reports, we could discover the following facts on each of the individual criteria used to evaluate the extent of disclosure.

4.1.1 Defining materiality

Defining the term ‘materiality’ could be seen in a moderate number of annual reports. It was evaluated whether the definition contains the fact that materiality is all about identifying the most relevant topics for the most relevant “internal” and “external” stakeholders. The scores were given to the companies based on the content of their definitions in each year’s annual report. Most often the companies that presented the definition in their prior year integrated reports continued to use the same wordings to define the term in successive years as well. Some companies did not give due importance to defining the term, rather they started to describe their materiality assessment process at the very beginning. Further, some companies defined ‘materiality’ in one year and avoided it in their annual reports for successive years. The disclosure index in Table 3 could be referred to find the number of companies that defined materiality each year. The summary of the percentage of companies that presented a definition for ‘materiality’ can be seen in Figure 2. However, it could be concluded that there was an observable percentage of companies ranging from 45% to 55% were there, that dedicated few lines in their integrated reports to define ‘materiality’, and it is also a notable fact that there is an upstream trend in the percentage of companies that define materiality out of the total number of companies that present information in their annual report on materiality assessment.

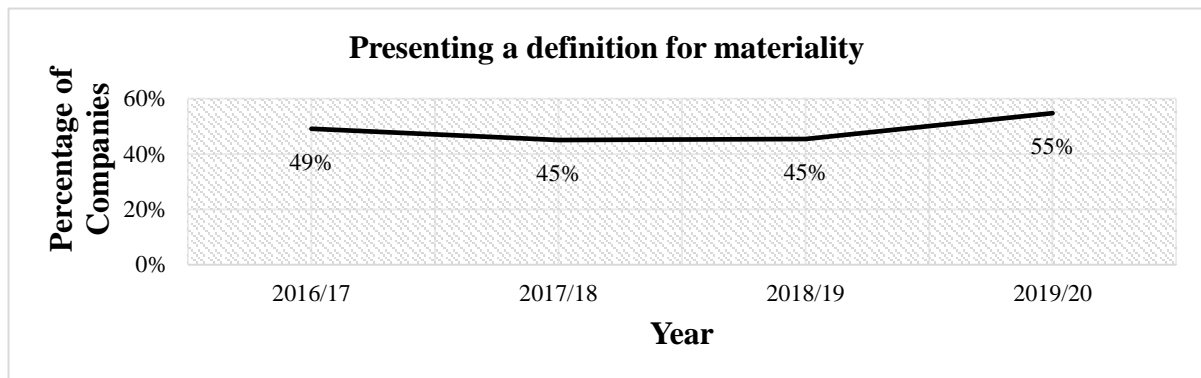


Figure 2: Definition of Materiality

Source: Author Constructed

4.1.2 Identifying the relevant stakeholders

Identification of the most relevant stakeholder group is a crucial part of materiality analysis. A company is supposed to identify who is its relevant stakeholders before fixing the material topics. Based on the collected scores it could be noted that 96% of the companies designated their stakeholders in the year 2016/17 and almost all the companies designated their stakeholders in the years 2017/18, 2018/19, and 2019/20 (Table 3). Although most companies that designated their stakeholders have also provided detailed explanations of their stakeholders, there are very few companies that have failed to provide a detailed explanation

in this regard. The graphical presentation of the percentage of companies that designated and/or explained their relevant stakeholders has been presented in Figure 3. It could be observed that there is a satisfactory level of disclosure for the identification of relevant stakeholders by the Sri Lankan companies during the study period. Companies have successfully identified who are their relevant stakeholders both internally and externally, to choose the topics/aspects relevant to them.

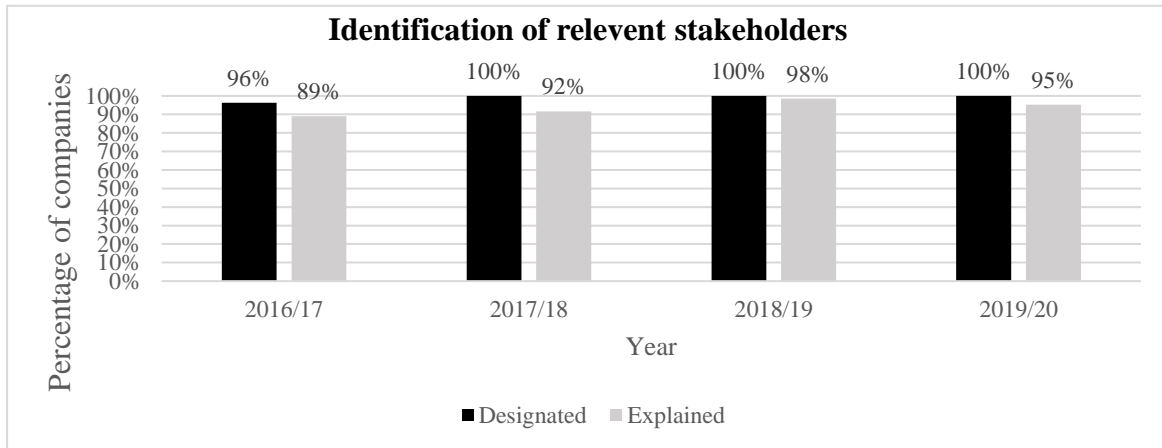


Figure 3: Identification of Relevant Stakeholders

Source: Author Constructed

4.1.3 Methods used for the identification of stakeholders

In the process of making a comprehensive disclosure on the materiality assessment, the companies are expected to present information about the methods used by different companies to identify their stakeholders. There are a few methods identified in common as stated by the companies in their annual integrated reports. The disclosure index in Table 3 could be referred to as the accumulated scores given to companies based on their level of disclosure on methods used for this purpose. Although a higher percentage of companies ranging from 96% to 100% over the years have designated the methods used by them to identify the stakeholders, only a small percentage of companies have attempted to present a detailed explanation of it. Figure 4 depicts the percentage of companies that designated and/or explained the methods used by them for identifying their relevant stakeholders. There is a shortage in the adequacy of disclosure made by Sri Lankan companies to this criterion.

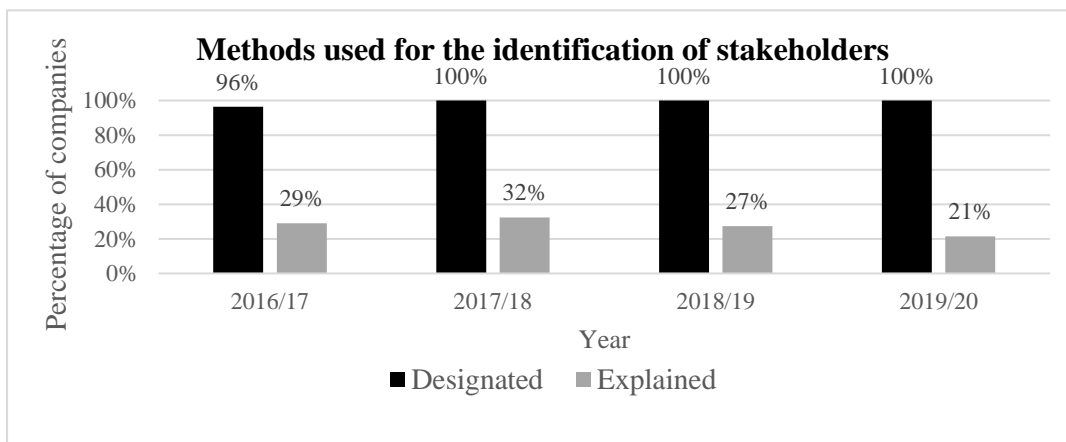


Figure 4: Methods Used for the Identification of Stakeholders

Source: Author Constructed

4.1.3 Identifying the relevant material topics/aspects

The main aspect of the materiality disclosure is to identify and report on the identified material topics that are most relevant to the stakeholders of the company. Hence all companies that reported on materiality have designated the material topics/aspects that they have prioritized in their annual reports in the years 2018/19 and 2019/20, while except for a very few companies the others have reported the same in the years 2016/17 and 2017/18. The aggregated number of the count of companies that designated and/or explained material topics can be viewed in Table 3. Although most companies have made an effort to designate the topics/aspects, the explanations on such prioritized topics have been presented by a moderate number of companies (ranging from 64% to 70%). The rest of the companies have only named the topics/aspects in their report or have not specified any indications in their report for identifying the explanation of the material topics elsewhere in the annual reports. Figure 5 provides the percentage of companies that designated and/or explained their identified material topics/aspects.

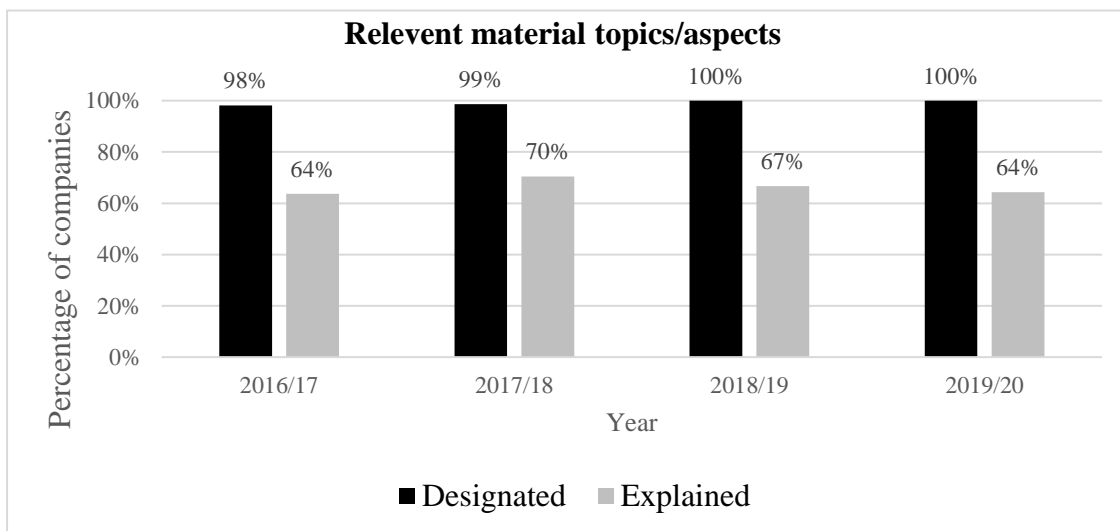


Figure 5: Identification of Relevant Material Topics/Aspects

Source: Author Constructed

4.1.4 Methods used for the identification of relevant topics/aspects

To achieve a complete disclosure pack on materiality assessment, the companies must present the methods they used to filter and select the material topics. In such an aspect, the companies were given scores for both designating the method and providing a detailed review of the method they are using. The scores can be seen in Table 3. Further to that, the summary of percentages on companies designating and/or explaining the above has been presented in Figure 6. According to the findings, most companies have simply stated the method they use, but only a few companies have provided elaborative detailing on them. Accordingly, Sri Lankan companies are expected to improve their presentation of information in this category to achieve a more comprehensive disclosure.

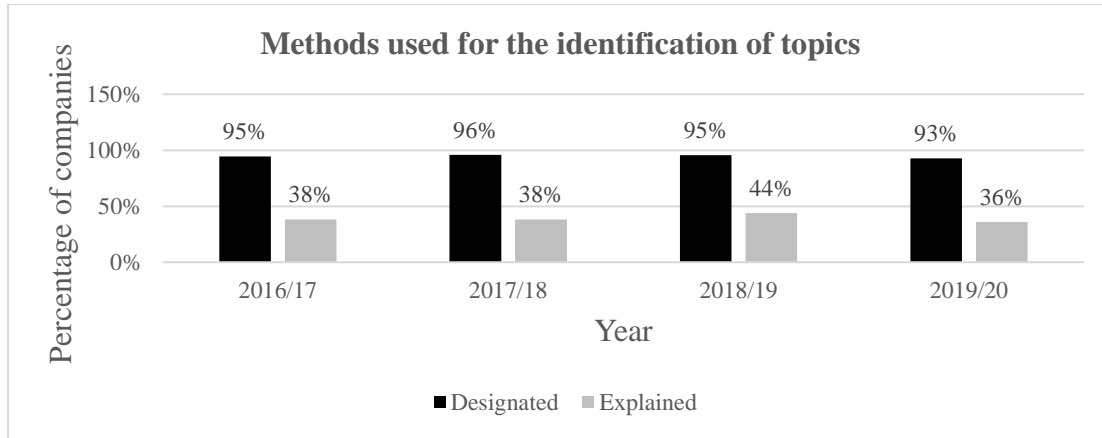


Figure 6: Methods Used for the Identification of Topics

Source: Author Constructed

Briefly, concerning research question 1, the extent of disclosure on materiality assessment could be presented in Table 4.

Table 4: Extent of Disclosure

Disclosure	Category	Extent of Disclosure
Definition of Materiality		Moderate
The Stakeholders	Designated	High
	Explained	High
Method of Identification of Stakeholders	Designated	High
	Explained	Low
Relevant Topics/Aspects	Designated	High
	Explained	Moderate
Method of Identification of Relevant Topics/Aspects	Designated	High
	Explained	Low

Source: Author Constructed

In Addressing the 2nd research question, i.e., the methods used for the analysis of stakeholders and topics/aspects, it was identified that there are few common methods used by the companies to identify the stakeholders who are relevant to the company and the material topics/aspects that are relevant to such identified stakeholder groups.

4.1.5 The methods used to identify the stakeholders

The relevant stakeholders are an important set of people who should be studied well enough to identify the material topics of any company's integrated report. They have a major role in deciding the content of the published annual reports of the company as they are the audience of those reports. Hence the method used by the companies to identify such stakeholders needs to be selected carefully by giving due attention to the nature and purpose of the company. Accordingly, Table 5 provides a picture of various methods used by the companies along with the aggregated count of companies that use those methods.

Table 5: Methods Used to Identify Stakeholders

Methods	No. of Companies			
	2016/17	2017/18	2018/19	2019/20
Stakeholder engagement process-designated	38	48	45	30
Stakeholder value creation model-designated	3	3	4	3
Stakeholder mapping	7	12	9	4
Due process of analysis on stakeholder engagement	4	7	7	4
Surveys and discussions	1	1	1	1
Total	53	71	66	42

Source: Author Constructed

The stakeholder engagement process has been designated by most companies as their method to identify the stakeholders. As such, they evaluate the level, significance, and frequency of the company's engagement with each of those stakeholder groups. The stakeholders who have comparatively higher engagement with the company are identified as the relevant stakeholder groups. Very few companies have used the stakeholder value creation model. The stakeholders who are identified as vital for the company's value creation process have been identified as the relevant stakeholder group. The other method used is stakeholder mapping, where the internal and external stakeholders are mapped by assessing their level of interest and level of power towards the company. Based on their position in the stakeholder mapping, the relevant stakeholders were chosen.

A due process of analysis on stakeholder engagement was presented in the annual reports of some companies. In this method, the companies separately explained the filtering process used to identify the stakeholders by assessing their level of engagement along with the analysis of the stakeholder's position in the mapping. Companies that used a combined method to identify stakeholders were included in this study. There was only one company that used surveys and discussions as a tool to identify its stakeholders in the 4 years.

4.1.6 The methods used to identify the topics/aspects

The identification of material topics or aspects has a major impact on the details of the integrated report. Hence the companies must be careful enough to choose those topics by making a comprehensive analysis of different factors. As such they are required to have a suitable method that will help them to identify such topics. Accordingly, Table 6 presents a summary of what are the methods used, along with the number of companies that are adopting such methods in their annual integrated reports.

Table 6: Methods Used to Identify Material Topics

Methods	No. of Companies			
	2016/17	2017/18	2018/19	2019/20
Materiality matrix/mapping	18	28	27	20
Step-by-step validation process (filtering)	8	6	8	5
Comprehensive method (inclusive of both methods)	22	31	22	10
Management discussions and analysis	3	3	4	4
Total	51	68	61	39

Source: Author Constructed

A materiality matrix/mapping is a method, where the list of topics is mapped in a grid to identify their significance for two aspects such as importance to the company/reporting party and importance to the audience/stakeholders. The topics that are considered important for both parties are shortlisted and considered material topics for the reporting period. The second method is a step-by-step validation process, which is also used as a filtering process in determining topics. Most often the steps include the identification of topics, evaluation of the importance of such topics, prioritization, and making decisions on which topics/aspects to be reported on.

The third method is a combination of both the previously discussed methods. A considerable number of companies have used this combined method to identify their material topics and issues. Further few companies have used a managerial discussion process to choose and analyse the material topics.

In a nutshell, the addressing of research question 2, could be concluded as most companies have a consistent and appropriate method that they use on a year-on-year basis to decide their stakeholders and material topics.

When attempting to find the answer to the 3rd research question, i.e., to determine whether there is a potential for higher disclosure of information due to complying with the Standards, a statistical analysis was conducted. The descriptive values of the disclosure scores obtained by each sample have been presented in Table 7. It is an interesting fact to note that, there are companies that scored 9 out of 9, which means there are companies that went for a comprehensive disclosure in all 4 years in their annual reports by presenting information for all the nine categories identified in Table 3. Hence, the maximum score obtained by companies has been identified as 9. On the other hand, the minimum value of scores obtained by individual companies has increased from 2 to 4 over the years. It is a signal that the companies are gradually improving the content of their materiality disclosure.

It was a notable fact during the data collection process that, many companies identified their stakeholders and material topics, but they did not provide a detailed explanation of the methods used by them for identification, rather they just designated the name of the method adopted by them. Referring to Table 7 again, there is another important fact that the mode value has increased from 6 to 7 when moving from 2016/17 to 2017/18. The mode value continues to remain consistent over the next two years. This indicates that the score that was scored by many companies was 7. That is because the companies that presented information in 7 categories did not present an explanation of the method used by them in identifying stakeholders and material topics. This was where most companies that obtained a score of 7, lost the other 2 points.

Further, the average score (mean) and standard deviation of the scores obtained by the companies have a consistent figure with a very slight variation over the 4 years. The mean value has had a steady growth till the year 2018/19 and it has fallen a bit in the year 2019/20. The possible reason could be highlighted as the IR adopters were facing reporting difficulties due to the pandemic in the year 2019/20. The standard deviation also had a steady fall till 2018/19 and it increased a little bit in the year 2019/20.

The results of the descriptive analysis suggest that there has been a trend of increased disclosure of information regarding materiality in the annual reports over the years due to compliance with GRI G4 Standards.

Table 7: Descriptive Values of Disclosure Index

		2016/17	2017/18	2018/19	2019/20
N	Valid	55	71	66	42
Mean		6.55	6.72	6.77	6.64
Mode		6	7	7	7
Std. Deviation		1.585	1.365	1.356	1.394
Minimum		2	3	4	4
Maximum		9	9	9	9

Source: Author Constructed

The results of the t-test for paired samples for comparing the disclosure indices over the 4 years have been presented in Table 8. The results were obtained at a 5% significant level and all three results are significant. It could be understood that there is a significant change in the disclosure of information among the companies in the paired years mentioned in Table 8 as the t-test values have changed. Indeed, it is important to acknowledge that while compliance with Standards may have contributed to a higher level of disclosure among the companies until the year 2018/19, there could be additional factors that influenced this change beyond the nine categories analyzed in this research report. It is worth noting that the trend of increased disclosure experienced a decline in the year 2019/20, primarily due to the impact of the Covid-19 pandemic.

Table 8: Paired Sample t-test

	Pairs	t	Sig. (2-tailed)
Pair 1	2016/17-2017/18	-7.274	.000
Pair 2	2017/18-2018/19	3.651	.006
Pair 3	2018/19-2019/20	7.842	.000

Source: Author Constructed

5 DISCUSSION AND CONCLUSION

The IR practice has seen considerable development in Sri Lanka over the recent years subject to the drop in 2020 due to the COVID-19 pandemic. Most of the companies that adopt IR have also made an effort to provide details on the materiality analysis conducted by them to decide the content of their annual report. When addressing the research question no.1, the findings have revealed that the Sri Lankan IR Adopters have given considerable importance in their annual report for the disclosure of materiality analysis despite it being a voluntary requirement. Majority of the companies have provided disclosure on material topics in year 2016/17 and 2017/18 while all companies have reported material topics in 2018/19 and 2019/20. The extent of disclosure could be summarised based on following considerations. The Definition of Materiality is moderate, Identification of Stakeholders is high, Methods for Identification of Stakeholders: High (Designated), Low (Explained), Relevant Topics/Aspects: High (Designated), Moderate (Explained) Methods for Identification of Relevant Topics/Aspects: High (Designated), Low (Explained). The companies have given due attention to the selection of stakeholders who need to be focused when deciding the aspects and topics in the annual report. The findings of research question 2 have shown that alongside the stakeholder analysis, the companies have conducted materiality analysis by using various methods to identify what are the topics/aspects they need to prioritise in their reports. Most of the companies have used the Stakeholder engagement process and few companies use stakeholder value creation models, stakeholder mapping, and due process of analysis to engage with stakeholders. The stakeholder theory has played an important role in providing a basis for the materiality analysis process.

The stakeholders being the main audience of the annual report have been given significance when selecting the material topics and some companies have also attempted to legitimatise their operations in society while prioritising certain topics from the societal perspective rather than a selected group of stakeholders. Yet, it was a notable fact that the stakeholder theory has taken prominence in this aspect while the legitimacy theory has lagged.

Attending to research question 3 it has been noted that most of the companies that adopted IR have also complied with the GRI G4 Standards when choosing material topics/aspects for their annual reports. Some companies have paid attention to sustainable development goals when deciding the topic. The material topics identified by the companies focused on several areas such as financial performance, human resources, competitive behaviours, environmental concerns, and so on. These topics were prioritised by evaluating their significance to the identified key stakeholders of the company. Although most of the companies discussed adequately the key stakeholders, only a few companies discussed the methods used for the selection of such stakeholders. Also, most companies designated their material topics, while the in-detail discussion of such topics was not seen in a few reports. Meanwhile, the methods used for the selection of such topics were also not revealed in some annual reports.

In a nutshell, it is noteworthy that Sri Lankan listed companies have a passion for the disclosure of materiality analysis which is clear in the count of companies reporting on this aspect despite it being a voluntary requirement. However, the information disclosed within the materiality analysis could be increased by the companies in certain areas of interest as identified above to achieve a comprehensive disclosure.

This study has implications from practical and social aspects and there is a need for the discussion of ways these implications could be appropriately addressed via a comprehensive disclosure of materiality analysis. There is a requirement for the reporters to spend more time and effort on deciding and analysing the material disclosures to be made in annual reports. Hence, there is room for the reporters to be less considerate about such disclosure and provide information just for the sake of reporting instead of presenting information that is more appropriate for the stakeholder's understanding. This could be solved when the reporters are made to understand the importance of the materiality analysis and how well they could maintain a systematic procedure for this analysis. Then the reporters would not face any practical difficulty at the time of preparation of the annual report which will also help them in not being negligent about presenting information on materiality disclosure due to extra stress since they already have a properly maintained system from which the required details for the presentation of disclosure could be extracted.

Further, regarding the societal implication, the stakeholders who are the audience of the integrated report may face various issues when relying on the contents provided in the report when there is a lack of detail on materiality analysis. The stakeholders may get misled about the areas to which they need to pay more attention in the annual report in the absence of well-provided materiality analysis in the report. Hence the reporters have the responsibility to be alert on which topics they have decided to prioritise in their annual report and to disclose the basis on which these topics were evaluated to be the priority topics via a materiality analysis.

Although this research has attempted to lay a foundation for getting a brief understanding of the materiality disclosure made by the Sri Lankan listed companies, there are a few limitations in this study. There is a lack of generalisability of the derived results since this research was conducted focusing only on the listed companies for the past four years. The results derived based on this study sample may not provide the fullest view of all the Sri Lankan companies.

Further, the use of binary coded disclosure index could be utilized to understand the availability and extent of disclosure but not an in-depth view. Accordingly, it reveals the quantity of the disclosures made by the companies but not the quality of such disclosures. The methods used by the companies for the identification of stakeholders and material topics are studied depending only on the annual reports of the respective companies and there was not any evidence obtained on whether such methods and practices are available in the companies as indicated in their reports.

Moreover, the COVID-19 pandemic which commenced to show its ugly head in Sri Lanka at the end of the 1st quarter of 2020, had had an immense impact on the IR practice of Sri Lanka. Many companies that newly started to adopt IR during the years 2017/18 and 2018/19 dropped the practice in 2019/20 due to the negative impacts of the pandemic. Also, some of the early IR adopters were identified to have dropped the IR practice this year. This sudden drop in IR adoption was a limitation since the effect of an external factor suddenly caused a drop in the number of companies disclosing materiality analysis. This disturbed the consistent improvement that was observable until the year 2018/19. Hence, the results derived ultimately are presented and discussed subject to the COVID-19 hit in 2019/20.

Despite all the above limitations, this paper also provided valuable details on the materiality disclosure practice of Sri Lankan companies which is yet an unexplored area of study to date. Future research may be conducted on this topic to explore more on this aspect more by taking this paper as a basis for further studies.

The adoption and spread of an IR culture among the Sri Lankan listed companies have seen a drastic and steady increase till the year 2018/19, subject to a fall in the number during the year 2019/20 due to the COVID-19 pandemic. It is also a noteworthy fact that had it has been not for the pandemic, there would have been continuous consistent growth in IR among the companies. Even though this dedicated adoption has led to many research studies in this aspect, detailed research on the companies' disclosure of materiality analysis was still a gap. This research study has attempted to fill the gap and still there exist some more areas to be explored.

This research was conducted mainly focusing on discovering whether the listed companies have complied with the voluntary requirement to disclose information on materiality analysis in their annual reports. Future research could be done by adopting a qualitative approach to get an in-depth insight into various aspects of materiality analysis and the content included within the analysis.

Further, the research could be conducted by extending the study area to other South Asian countries to get a detailed view of how the listed companies comply with materiality analysis. This will give a comparative insight among Sri Lanka and other countries which are in the same region. The studies in the future could also be directed including the sustainability report publishers in Sri Lanka since the materiality analysis is done by them as well.

REFERENCES

- Abeywardana, E 2016, 'Compliance of integrated reporting disclosures with the international framework of integrated reporting – analysis of quoted public banking companies in Sri Lanka', *The International Journal of Business & Management*, vol. 4, no. 3, pp. 342-349.
- Ackers, B & Adebayo, A 2021, 'The adoption of integrated reporting by state-owned enterprises (SOEs) – an international comparison', *Social Responsibility Journal*, vol. 18, no. 8, pp. 1587-1612.

- Akisik, O & Gal, G 2020, 'Integrated reports, external assurance, and financial performance: an empirical analysis on North American firms', *Sustainability Accounting, Management, and Policy Journal*, vol. 11, no. 2, pp. 317-350.
- Aras, G, Furtuna, OK & Kazak, EH 2021, 'Toward an integrated reporting framework in higher education institutions: evidence from a public university', *International Journal of Sustainability in Higher Education*, vol. 23, no. 2, pp. 426-442.
- Arora, MP, Lodhia, S & Stone, G 2021, 'Enablers and barriers to the involvement of accountants in integrated reporting', *Meditari Accountancy Research*, vol. 30, no. 3, pp. 676-709.
- Athambawa, H, Ahamed, ST & Kumara, SL 2020, 'Investigation on the value relevance of integrated reporting and organizational capital: evidence from Sri Lanka', *International Journal of Financial Research*, vol. 11, no. 6, pp. 372-382.
- Beske, F, Haustein, E & Lorson, PC 2020, 'Materiality analysis in sustainability and integrated reports', *Sustainability Accounting, Management and Policy Journal*, vol. 11, no. 1, pp. 162 -186.
- Calabrese, A, Costa, R, Ghiron, NL & Menichini, T 2017, 'Materiality analysis in sustainability reporting: a method for making it work in practice' *European Journal of Sustainable Development*, vol. 6, no. 3, pp. 439-447.
- Ching, HY & Gerab, F 2017, 'Sustainability reports in Brazil through the lens of signaling, legitimacy, and stakeholder theories', *Social Responsibility Journal*, vol. 13, no. 1, pp. 95-110.
- Cooray, T, Senaratne, S, Gunarathne, N, Herath, R & Samudrage, DN 2021, 'Adoption of integrated reporting in Sri Lanka: coverage and trend', *Journal of Financial Reporting and Accounting*, vol. 20, no. 3-4, pp. 389-415.
- Deegan, C & Blomquist, C 2006, 'Stakeholder influence on corporate reporting: an exploration of the interaction between WWF-Australia and the Australian minerals industry', *Accounting, Organization and Society*, vol. 31, no. 4-5, pp. 343-372.
- Deegan, C & Ranking, M 1997, 'The materiality of environmental information to users of annual reports', *Accounting, Auditing and Accountability Journal*, vol. 10, no. 4, pp. 562-583.
- Dumay, J, Bernardi, C, Guthrie, J & La Torre, M 2017, 'Barriers to implementing the international integrated reporting framework: a contemporary academic perspective', *Meditari Accountancy Research*, vol. 25, no. 4, pp. 461-480.
- Farooq, MB, Zaman, R, Sarraj, D & Khalid, F 2021, 'Examining the extent of and drivers for materiality assessment disclosures in sustainability reports', *Sustainability Accounting, Management and Policy Journal*, vol. 12, no. 5, pp. 965-1002.

- Fasan, M & Mio, C 2017, 'Fostering stakeholder engagement: the role of materiality disclosure in integrated reporting', *Business Strategy and the Environment*, vol. 26, no. 3, pp. 288-305.
- Ferrero-Ferrero, I, Fernández-Izquierdo, MÁ, Muñoz-Torres, MJ & Bellés-Colomer, L 2018, 'Stakeholder engagement in sustainability reporting in higher education: an analysis of key internal stakeholders' expectations', *International Journal of Sustainability in Higher Education*, vol. 19, no. 2, pp. 313-336.
- Freeman, RE 1984, *Strategic Management: A Stakeholder Approach*, Pitman Publishing, Marshfield.
- Gelmini, L, Bavagnoli, F, Comoli, M & Riva, P 2015, 'Waiting for materiality in the context of integrated reporting: theoretical challenges and preliminary empirical findings', In *Sustainability disclosure: State of the art and new directions* (pp. 135-163), Emerald Group Publishing Limited.
- Girella, L, Zambon, S & Rossi, P 2021, 'Board characteristics and the choice between sustainability and integrated reporting: a European analysis', *Meditari Accountancy Research*, vol. 30, no. 3, pp. 562-596.
- Global Reporting Initiative 2015, *G4 sustainability reporting guidelines – reporting principles and Standard disclosures*, viewed 15 January 2021, <http://www.globalreporting.org/resource/library/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>
- GRI Standards 2021, *GRI 3: material topics*, viewed on 21 January 2021, <https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/?g=df46e0b7-e8c9-49ea-8ff2-085b5ca98852&id=12453>
- GSSB 2016, *Mapping G4 to the GRI Standards – disclosures – quick reference*, viewed 21 December 2021, <https://www.globalreporting.org/standards/media/1100/mapping-g4-to-the-gri-standards-disclosures-quick-reference.pdf>
- GSSB 2020, *GRI Universal Standards: GRI 101, GRI 102, and GRI 103 – exposure draft*, viewed 2 January 2022, <https://www.globalreporting.org/standards/media/2605/universal-exposure-draft.pdf>
- Gunarathne, N & Senaratne, S 2017, 'Diffusion of integrated reporting in an emerging South Asian (SAARC) nation', *Managerial Auditing Journal*, vol. 32, no. 4-5, pp. 524-548.
- Haji, A & Anifowose, M 2017, 'Initial trends in corporate disclosures following the introduction of integrated reporting practice in South Africa', *Journal of Intellectual Capital*, vol. 18, no. 2, pp. 373-399.
- Hassan, A, Adhikariparajuli, M, Fletcher, M & Elamer, A 2019, 'Integrated reporting in UK higher education institutions', *Sustainability Accounting, Management and Policy Journal*, vol. 10, no. 5, pp. 844-876.

- Herath, R, Senaratne, S & Gunarathne, N 2021, 'Integrated thinking, orchestration of the six capitals and value creation', *Meditari Accountancy Research*, vol. 29, no. 4, pp. 873-907.
- Hichri, A 2021, 'Corporate governance and integrated reporting: evidence of French companies', *Journal of Financial Reporting and Accounting*, vol. 20, no. 3-4, pp. 472-492.
- IIRC 2015, *Materiality in IR guidance in preparation of integrated reports*, International Integrated Reporting Council, London, viewed 2 January 2021, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.integratedreporting.org/wp-content/uploads/2015/11/1315_MaterialityinIR_Doc_4a_Interactive.pdf
- IIRC 2021, *International IR framework*, viewed 2 January 2022, <https://integratedreporting.org/resource/international-ir-framework/>
- Islam, MS 2020, 'Investigating the relationship between integrated reporting and firm performance in a voluntary disclosure regime: insights from Bangladesh', *Asian Journal of Accounting Research*, vol. 6, no. 2, pp. 228-245.
- Junior, RM, Best, PJ & Cotter, J 2014, 'Sustainability reporting and assurance: a historical analysis on a worldwide phenomenon', *Journal of Business Ethics*, vol. 120, no. 1, pp. 1-11.
- Kılıç, M & Kuzey, C 2018, 'Assessing current company reports according to the IIRC integrated reporting framework', *Meditari Accountancy Research*, vol. 26, no. 2, pp. 305-333.
- KPMG 2014, *Sustainable insight: the essentials of materiality assessment*, viewed 8 November 2021, <http://assets.kpmg.com/content/dam/kpmg/pdf/2014/10/materiality-assessment.pdf>
- KPMG 2022, *The KPMG survey of sustainability reporting 2022*, viewed 1 November 2023, <https://assets.kpmg.com/content/dam/kpmg/se/pdf/komm/2022/Global-Survey-of-Sustainability-Reporting-2022.pdf>
- Lai, A, Melloni, G & Stacchezzini, R 2017, 'What does materiality mean to integrated reporting preparers? an empirical exploration', *Meditari Accountancy Research*, vol. 25, no. 4, pp. 533-552.
- Lakshan, AMI 2018, *Integrated reporting in Sri Lankan PLCs*, The University of Waikato, Hamilton, New Zealand.
- Lakshan, AMI, Low, M & de Villiers, C 2021, 'Challenges of, and techniques for, materiality determination of non-financial information used by integrated report preparers', *Meditari Accountancy Research*, vol. 30, no. 3, pp. 626-660.
- O'Donovan, G 2002, 'Environmental disclosures in the annual report: extending the applicability and predictive power of legitimacy theory', *Accounting, Auditing & Accountability Journal*, vol. 15, no. 3, pp. 344-371.

- Pistoni, A & Songini, L 2015, 'New trends and directions in CSD: the integrated reporting', *Studies in Managerial and Financial Accounting*, vol. 30, pp. 81-105.
- Puroila, J & Mäkelä, H 2019, 'Matter of opinion: exploring the socio-political nature of materiality disclosures in sustainability reporting', *Accounting, Auditing & Accountability Journal*, vol. 32, no. 4, pp. 1043-1072.
- Rinaldi, L, Unerman, J & de Villiers, J 2018, 'Evaluating the integrated reporting journey: insights, gaps, and agendas for future research', *Accounting, Auditing & Accountability Journal*, vol. 31, no. 5, pp. 1294-1318.
- Shepherd, N 2018, *Materiality: driving integrated thinking*, viewed 2 December 2021, <https://integratedreporting.org/news/materiality-driving-integrated-thinking/>
- Sofian, I & Dumitru, M 2017, 'The compliance of the integrated reports issued by European financial companies with the international integrated reporting framework', *Sustainability*, vol. 9, no. 8, pp. 1319.
- Steenkamp, N 2018, 'Top ten South African companies: disclosure of materiality determination process and material issues in integrated reports', *Journal of Intellectual Capital*, vol. 19, no. 2, pp. 230-247.
- Suchman, MC 1995, 'Managing legitimacy: strategic and institutional approaches', *Academy of Management Review*, vol. 20, no. 3, pp. 571-610.
- Susith, F & Stewart, L 2014, 'A theoretical framework for CSR practices: integrating legitimacy theory, stakeholder theory and institutional theory', *The Journal of Theoretical Accounting*, vol. 10, no. 1, pp. 149-178.
- Tili, M, Ben Othman, H & Hussainey, K 2019, 'Does integrated reporting enhance the value relevance of organizational capital? evidence from the South African context', *Journal of Intellectual Capital*, vol. 20, no. 5, pp. 642-661.