Integrated Reporting in OMXS30 companies

- An Analysis of Human Capital Disclosures

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AUTHOR:  Frida Burenius & Nathalie Schulz
TUTOR:  Professor Gunnar Rimmel

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Frida Burenius          Nathalie Schulz
Abstract

**Background and Problem:** Sustainability reporting is a growing interest in today’s organizations and it is essential to report on non-financial matters. Many of the existing frameworks have been criticized for being used only for symbolical reasons which is why the concept of integrated reporting and the <IR> framework have been developed. One of the cornerstones in the <IR> framework is human capital which is one of the most valuable assets in an organization. Traditionally, employee costs have only been treated as an expense and there have been limited disclosures in corporate reports. In the current business world it is instead seen as an investment in human resources. Since previous studies have shown an increase of human capital disclosures when corporate reports become integrated, integrated reporting might be the solution to this problem.

**Purpose:** The purpose of this study is to examine if there are differences in human capital disclosures between integrated reports and separate annual and sustainability reports in companies listed at OMXS30.

**Delimitations:** This study’s empirical examination is limited to include the companies listed at Stockholm OMX30. Only corporate reports issued for the year 2014 are treated.

**Methodology:** For this study a self-constructed disclosure scoreboard with human capital-related items has been used to collect data from the companies’ corporate reports. Also additional information beyond the pre-determined items has been collected to extend the data collection.

**Empirical Results and Conclusion:** The results show that human capital seems to be a subject that is relatively little reported about. The integrated reporting companies do not disclose more information compared to non-integrated reporting companies. However, the results show that integrated reporting companies seem to have a more future-oriented focus and that the disclosures are more dispersed throughout the reports. It can be concluded that company sector and size do not affect the amount or type of information.
Definitions

GRI - Global Reporting Initiative

IR - Integrated Reporting

IIRC - International Integrated Reporting Council

<IR> - IIRC’s framework for integrated reporting

OMXS30 - “Stockholm OMX30”. The 30 most traded stocks at Nasdaq Stockholm Stock Exchange.

IR companies - Companies at OMXS30 that indicate that they publish an integrated report for the financial year 2014

Non-IR companies - Companies at OMXS30 that do not publish an integrated report for the financial year 2014
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1 Introduction

This first chapter starts with a description of the background to the studied topic. It is followed by a problem discussion which in turn leads to the presentation of the research questions and the purpose of the study as well as the delimitations that has been made. Finally, the further outline of the study will be presented.

1.1 Background

Today the question is not if big organizations should issue sustainability reports, the question is what they should report on and how it should be done (KPMG, 2013a). The integration of voluntary information in annual reports can be traced back to the 1960s when experiments with social reporting were conducted in the United States and Europe (GRI, 2010). One of the milestones for organizations’ sustainability work is the Brundtland report, “Our Common Future”, from 1987 where sustainable development was defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 41).

In the past 20 years, sustainability information have mainly been disclosed in separate social and environmental reports based on frameworks such as Green accounting, Social reporting, Triple Bottom Line reporting (TBL) and Global Reporting Initiative (GRI) (Higgins, Stubbs & Love, 2014). Today, the GRI framework is the most commonly used reporting framework in sustainability reporting (Gray, Adams & Owen, 2014; Brown, de Jong & Lessidrenska, 2009a; Brown, de Jong & Levy, 2009b; Etzion & Ferraro, 2010; Vigneau, Humphreys & Moon, 2015). The framework is based on principles and indicators that organizations can use to measure and report their sustainability work. The concept of materiality is important and means that organizations should only report on material matters that can influence the stakeholders’ decisions (GRI, 2006; 2013).

In today’s globalised and interconnected world followed by negative impacts of financial crises it has been a growing need for financial stability and sustainability development among investors and stakeholders around the world (IIRC, 2013). It is argued that there is a gap between current corporate reporting and investors’ demands (KPMG, 2013b). The old traditional way of disclosing only historical financial information has started to loose its
importance as investors today are more concerned about the forward outlook and risks and opportunities organizations will face in the future (KMPG, 2013a; IIRC, 2013). Investors need information that goes beyond pure financial information (IIRC, 2015a). A recent survey among institutional investors made by EY in 2015 showed that there is a growing interest of organizations’ non-financial disclosures when it comes to decision-making processes. Over 60% of the respondents considered that non-financial data is important in all industries and took Corporate Social Responsibility and sustainability reporting into consideration when it came to investment decisions (EY, 2015). In a survey made by KPMG in 2015 of the top 100 largest organizations in Sweden it was found that almost 90% of the organizations report on non-financials, which is an increase from 80% in 2013.

Many of today’s sustainability reporting frameworks have been criticized for being used only of symbolical reasons. What the organizations claim to do in the reports is in many cases not actually implemented in the organization. Usually, the reports do not mediate how economic, environmental and social factors are interrelated and how these factors effect the organization (Villiers, Rinaldi & Unerman, 2014; Moneva, Archel & Correa, 2006; Gray & Milne, 2002). In order to solve this problem several actors such as standard setters, regulators and investors have developed the concept of integrated reporting. An integrated report brings together the sustainability and annual report into one single report. The most eminent organization in this area is the International Integrated Reporting Council (IIRC) which has summarized the reporting principles in the <IR> framework (Higgins et al., 2014).

The <IR> framework is considered to be the next step in the evolution of globally harmonized corporate reporting (Monterio, 2015). The aim of the framework is to close the gap between current corporate reporting and investors’ demands by focusing on conciseness, relevance and future orientation. The goal is to create a more holistic reporting of how an organization creates value in the short, medium and long term. It should be a clear and concise description of the organization’s strategy, governance, performance and forecasts. The key principle “integrated thinking” should, according to the framework, lead to a higher degree of integration (IIRC, 2013).
The cornerstones in the <IR> framework are six capitals: financial, manufactured, intellectual, human, social and relationship, and natural. These capitals are considered as stocks of value that the organization use and transform through its activities. The description of the interconnection between the different capitals provides a picture and understanding of the value-creation over time in an organization (IIRC, 2013). IIRC states in their discussion paper from 2011 that integrated reporting will give investors and other stakeholders a deeper explanation of organizational performance and value-creation compared to traditional corporate reporting (IIRC, 2011). Although the concept of integrated reporting is a relatively new phenomenon in the business market, the practice in the area has grown and the literature and research about its effects on corporate reporting has recently been published (Villiers et al., 2014). South Africa is one of the early adopters of integrated reporting. Since 2011 all listed organizations at Johannesburg Stock Exchange are required to adopt integrated reporting on a “comply or explain” approach (Eccles & Krzus, 2015). The implementation of integrated reporting has resulted in an improvement of traditional annual reporting with an increase of non-financial disclosures (Atkins & Maroun, 2015). Studies show evidence of an increase in disclosures about the human, social, natural and intellectual capital (Setia, Abhayawansa, Joshi & Huynh, 2015).

As in rest of the world the concept of integrated reporting is still a new phenomenon in Sweden but not least a hot topic. Actors within the corporate reporting sector drive the debate about the <IR> framework and have a positive attitude to it and its contribution to value-creation and a change in the reporting behaviour among organizations (Lennartsson, 2014; 2015; 2016). Sweden is one of the top countries when it comes to organizations publishing integrated reports, but only some them refer to the <IR> framework (KPMG, 2015).

### 1.2 Problem discussion

The <IR> framework states that human capital is *people’s competencies, capabilities and experience, and their motivations to innovate* (IIRC, 2013, p. 12). It refers to factors like education and skills, development, retention, attraction, ethics, integrity, health and safety (Adams, Cohen & Baraka, 2014). Traditionally, employee costs have only been treated as an expense
in the income statement, which made organizations think of employee training and education as something negative. In the current business world, with an increase of knowledge-based organizations as biotechnology and consulting, employee education and development is seen as an investment in human resources (Guthrie, 2001). One of the most important driving factors of value-creation in organizations today is people-related activities inside the organization, such as leadership, employee talent, learning and development (Bassi, Creelman & Lambert, 2014). Employees within an organization are seen as one of the most important assets. It has been shown that it increases the organization’s opportunities to achieve goals and improve results (Wang, Shieh & Wang, 2008). Thereof, as Creelman and Boudreau (2015) state in their article: “human capital deserves to be treated with the same rigor as financial capital and other tangible resources” (Creelman & Boudreau, 2015, p. 1).

The amount of human capital disclosed by an organization may be explained by organizational-specific factors. It has been found that both size and industry have an impact on human capital disclosures. Larger organizations and specific industries often perceive more pressure from stakeholders, such as employees, suppliers and customers. Therefore they feel a need to legitimize their behaviour. By disclosing information about the issue they reduce political and agency costs (Domínguez, 2012). It is common to read about issues regarding human capital in the news. One example is news about dangerous working environments for production workers in big global organizations in the textile and clothing industry, such as Zara and H&M (Dagens Nyheter, 2015; Affärsvärlden, 2015). This type of news may cause bad reputation and creates a demand by various stakeholders for organizational responsibility and accountability. Organizations also use human capital disclosures as a tool to attract employees and a way to create competitive advantage in their industry. This trend has been growing with the increase of knowledge-based organizations that are in need of specific talented employees. Employees nowadays put a lot of interest in their ability to obtain learning and development within an organization (Domínguez, 2012).

Beside the fact that it seems to be more important than ever for organizations to take care of its employees and disclose information about the achievements in the area, human capital has traditionally not been a commonly reported area by organizations (Abeysekera & Guthrie, 2004; IIRC, 2015b). The reason may be explained by the difficulty to measure
the value-impact of human capital as a stand-alone component in an organization. Human capital must interact with other physical capitals as financial and tangible assets to create value (Möller, Gamerschlag & Guenther, 2011). It might be the case that integrated reporting is the solution to the problem since it aims to interact non-financial and financial information to provide a more holistic picture of the organizational value-creation.

The growing interest in integrated reporting and the <IR> framework around the world seems to be more discussed than ever. Even among Swedish organizations a growing number of integrated reports can be found. The question remains about the real effect of introducing the concept into corporate reporting in Sweden. The lack of studies among Swedish organizations made us interested to write our master thesis within this subject with a focus on the important organizational asset human capital.

1.3 Research Questions

The problem discussion gave rise to the following main and sub-questions:

How do listed companies disclose human capital information?

- How do human capital disclosures in integrated reporting companies differ from companies that do not report according to integrated reporting?

- Do the factors company sector and company size affect the amount and type of human capital disclosures in integrated reporting companies?

1.4 Purpose

The purpose of this study is to examine if there are differences in human capital disclosures between integrated reports and separate annual and sustainability reports in companies listed at Stockholm OMX30.
1.5 Delimitations

This study’s empirical examination is limited to include the companies listed at Stockholm OMX30. Only corporate reports issued for the year 2014 are treated. The corporate reports has been downloaded from the companies’ respective web pages which means that any other printed or online documents are excluded in the data collection.
1.6 Outline of the study

| Frame of Reference | Chapter 2 will give the reader a deeper understanding of integrated reporting and human capital reporting together with information about previous studies and underlying theories that regards integrated reporting and human capital reporting. The aim of this chapter is to present the relevant references that are in line with the purpose of the study. |
| Methodology | In Chapter 3 the chosen research methods to fulfil the purpose of this study is presented. The chapter contains motivations to the different choices and descriptions of the various stages in the process such as sampling, construction of the disclosure scoreboard and collection and coding of data. |
| Empirical Findings | Chapter 4 will present the empirical findings that are based on the data collected in the disclosure scoreboards from the studied companies. The results are presented in a number of different figures which forms the underlying basis for the coming analysis. |
| Analysis | In Chapter 5 the analysis of the empirical findings will be presented in accordance with the frame of reference. The analysis is intended to tie together the empirical findings with the frame of reference to end up with the conclusions that answers the research questions of this study. |
| Conclusions & Discussion | In the final Chapter 6, the conclusions that give answers to the research questions are presented and thereby fulfil the purpose of the study. Finally the societal and ethical effects of the study and suggestions for further research in the studied field are presented. |
2 Frame of Reference

This chapter will present the frame of reference of this study. A deeper insight of the development of sustainability reporting and integrated reporting will be described followed by an explanation of human capital reporting. Furthermore, previous studies and underlying theories regarding integrated reporting and human capital will be presented.

2.1 The sustainability concept

The most common definition of sustainability is the one from the Brundtland Report. It states that sustainability is to “...meet the needs of the present world without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 41). Thus, sustainability is to have a long-term perspective in decision-making. This means that what is the most beneficial in the short-term is discarded in favour for more sustainable long-term options (Deegan & Unerman, 2011). Within the sustainability definition, there are three different areas; economy, environment and social. These areas cannot be separated from each other. In order to achieve financial profitability it is required that natural resources are available and that the society allows the organization to operate (Deegan & Unerman, 2011).

2.2 Development of Sustainability Reporting

Traditional reporting has primarily focused on financial performance and provided a historical overview of organizations’ operations. In the last two decades it has become increasingly important for stakeholders to get a broader perspective of the organizations and therefore the concept of Corporate Social Responsibility (CSR) emerged (Gray et al., 2014). As a result of the Brundtland Report in 1987 sustainability issues were put on the agenda and organizations’ impact on the environment came to be increasingly important. With Elkington’s Triple Bottom Line reporting (TBL) in the late 1990s a new way of thinking about corporate reporting was
introduced. He suggested that organizations, in addition to the financial information, should provide information about the social and environmental performance. This led to environmental disclosures dominated the annual reports in the 1990s (Deegan & Unerman, 2011). The separate reports became more common as the combined reports increased in scope and complexity and later it was referred to as sustainability reporting. Apart from the pressure from governments, sustainability reports are a way for companies to voluntarily meet the demands from their stakeholders (Villiers et al., 2014; Gray et al., 2014).

Since the fiscal year of 2008 it has been required by law to provide sustainability reports in Swedish state-owned companies (Regeringskansliet, 2015). For other Swedish organizations it is voluntary to issue a sustainability report, but in the European Parliaments’ and councils’ directive 2014/95/EU, adopted in the autumn of 2014, it will become mandatory in 2017 for certain large organizations and groups to provide non-financial information and disclosures regarding their diversity policies. The directive gives a clear picture over the development of organizations’ non-financial reporting. The importance of sustainability reporting is emphasized and encourages organizations to integrate non-financial information, when it is appropriate, in the annual report (European Union, 2015).

### 2.3 Development of Global Reporting Initiative (GRI)

GRI was founded in 1997. The purpose of GRI is to develop guidelines for how to report on sustainability matters and in 2001, the first framework was released (Eccles & Krzus, 2015). GRI advocates sustainability from a Triple Bottom Line perspective where organizations’ economic, social and environmental performance is valued equally. The framework is based on principles and indicators that organizations can use to measure and report their sustainability work (KPMG, 2015).

In 2013, GRI’s latest framework for sustainability reporting, G4, was released. Both G4 and the previous framework, G3, require the managers of organizations to comment on the relevance of their sustainability achievements and strategies in the short, medium and long run. The purpose with G4 is to make it easier for organizations to use the framework
and to focus on what is relevant for the organization to report on (GRI, 2013). The concept of materiality is important in both frameworks and means that organizations should only report on material matters that can influence the stakeholders’ decisions (GRI, 2006; 2013).

GRI is today the most widely used guidelines for sustainability reporting (Gray et al., 2014; Brown et al., 2009a; Brown et al., 2009b; Etzion & Ferraro, 2010; Vigneau et al., 2015). Hedberg and von Malmborg (2003) have analysed the phenomenon of sustainability reporting in general and studied how and why Swedish organizations prepare sustainability reports. They found that the main reason is to seek legitimacy and the reason why most organizations use the GRI guidelines is to create credibility. However, the GRI framework has been criticized for being used by organizations solely of symbolical reasons and that organizations can cherry pick what issues they want to report on (Milne & Gray, 2013; Moneva et al., 2006; Villiers et al., 2014). Cherry picking means that organizations leave certain information excluded from the report since it is expected that this information will harm the business (Milne & Gray, 2013). Thus, this leads to that organizations instead focus on disclosing information about the activities and achievements that provide better reputation (Moneva et al., 2006). Since the GRI guidelines are based on pre-determined indicators there are risks that the guidelines only provide a set of check boxes for the companies to use to present their sustainability achievements. Moneva et al. (2006) argue that this leads to a lack of implementing a sustainability philosophy within the organization that change the way of acting and therefore the sustainability reporting tends to be more symbolical than showing the reality.

2.4 Development of Integrated Reporting (IR) and IIRC (<IR>)

There is no generally accepted definition of what integrated reporting implies but the concept is not entirely new. As early as in the 1970s a more integrated and balanced reporting was advocated (Villiers et al., 2014; Gray et al., 2014; Owen, 2013). It alluded that organizations should include non-financial information in its annual reports. The 1970s is referred to as the era of social accounting (Gray et al., 2014). During this period, attempts were made to integrate non-financial information with financial information in one single
report. The extent of the social reporting rarely occupied more than half a page in the annual report and usually it concerned only one area (Gray et al., 2014).

In 2004, the Prince of Wales’ Accounting for Sustainability (A4S) forum was founded which is a gathering of organizations, investors, standard setters and other actors in the accounting and sustainability area. The aim of this project was to develop guidelines to help organizations to issue a “connected report”, which is a report where organizations should connect material economic, social and environmental events that has occurred during the year. Many organizations and standard-setters accepted the challenge and produced this type of report (Villiers et al., 2014). The first, and only, country to make integrated reporting mandatory is South Africa. The concept of integrated reporting was developed in the King III Code of Governance Principles for South Africa in 2010 and includes 76 principles for how to report on financial and non-financial matters. All listed organizations at Johannesburg Stock Exchange have to issue an integrated report (Eccles & Krzus, 2015). In 2012, the Association of Chartered Certified Accountants (ACCA) accomplished a research regarding the quality of annual reports before and after integrated reporting became mandatory in South Africa. The report compared 10 organizations’ annual reports and showed significant improvements when it comes to accountability and stakeholder engagement. It also showed that social and environmental matters were found in many different sections of the report instead of solely in a sustainability report (ACCA, 2012).

In 2009, the organizations within the A4S and GRI started a cooperation that resulted in the foundation of a new organization in August 2010, the IIRC (Owen, 2013). The aim of IIRC is to construct a framework for integrated reporting that is globally accepted so organizations can conduct, as far as possible, one clear and concise report consisting both sustainability and financial matters that will replace the traditional financial report and in 2013 the <IR> framework was released (IIRC, 2013). An integrated report according to the <IR> framework should contain material information that shows how the organization creates value in the short, medium and long term. The vision is that an integrated way of thinking should be embedded in the daily business activities which should work as a tool to connect different elements with each other. These elements are called capitals and are the resources and assets within an organization. They are categorized into six different capitals named financial, manufactured, intellectual, human, social and relationship and natural. The
idea with the capitals is that organizations should report on how the value of the capitals are increased, decreased or transformed within the business activities. For example when the employees get education the financial capital will decrease and the human capital will increase (IIRC, 2013).

Since the introduction of the <IR> framework in 2013, IIRC and GRI have worked as strategic partners in the development of corporate reporting. GRI and their latest framework G4 is an important starting point in the process of conducting an integrated report. The G4 framework ensures that companies have a well developed and prepared sustainability report with all material aspects included, which is one of the cornerstones in the preparation of an integrated report. Both organizations strive for consistency and comparability in the corporate reporting and use their complementary roles. Through proactive communication to the market the understanding of the two frameworks and its respective roles in the development of corporate reporting, GRI and IIRC aim to bring clarity to the reporting environment and to be a common voice of their respective activities and other common interests (GRI, 2016; IIRC, 2016a).

Haller and van Staden (2014) argue that <IR> is a principle-based framework and provides only weak guidance to organizations on how to create an integrated report. The main critic against <IR> is that the framework is complicated and that major changes within the organization are required in order to implement the framework (Robertson & Samy, 2015). Steyn (2014) states that substantial changes in the organization's information systems are needed to meet the requirements for integrated reporting. Instead of the traditional historical-oriented reporting, integrated reporting requires a future-oriented focus. Thereof, Gray and Milne (2002) argue that accounting principles and standards must be improved and include formulas and calculations for how to value and report on sustainability matters. Even IIRC emphasizes that the transition to integrated reporting is complicated and tries to facilitate the development through networks and knowledge banks (IIRC, 2016b).
2.5 Human Capital

Human capital is a combination of the employees' individual knowledge, skills, expertise, social ability, experience and ability to perform a task as efficiently as possible (Edvinsson & Malone, 1998). Thus, it is the employee's ability to create value for the organization. Human capital cannot be owned by an organization since the capital stays with the employee when he/she leaves the company (Möller et al., 2011). The interest in human capital was aroused when it was discovered that the total value of organizations to a large extent comprised of the employees' competence and skills. Previously, employees were only accounted for as a cost in the income statement, which made organizations see employee training and education as something negative. Today, it is seen as an investment in human capital (Guthrie, 2001).

2.5.1 Human Capital Reporting

Since an organization cannot own human capital it is not entered as an asset in the balance sheet (Edvinsson & Malone, 1998). It meets either the control or identifiability criterion within the existing laws and recommendations that need to be fulfilled in order to be classified as an asset (Rimmel, 2003). Though, it is still talked about as an asset because of the lack of better words. Human capital is a great asset within many organizations. To retain and attract employees, organizations work on building trust and good relationships. Human capital reporting shows a wider picture of what the organization is doing to achieve and create value using their key assets. A study accomplished by Rimmel (2003) regarding voluntary human capital disclosures in two insurance companies concludes that information on human capital is reported externally because the companies want to highlight the internal significance of this information. Users of the information thought that detailed information on human capital, such as the number of administrative staff, can provide an understanding of the company's financial performance as an increase in administrative staff would imply higher costs (Rimmel, 2003).

Depending on the nature of the organization, organizations recognize human capital to different extents. A study performed by Rimmel, Nielsen and Yosano (2009) show that high-tech companies in Japan report more information about human capital than firms in
industries where technology is not as significant. High-tech companies include IT, technology and pharmaceutical companies and low-tech companies include production, trade and service companies. It is also alleged that company size, in terms of number of employees, has no significant influence on the extent of the disclosures (Rimmel et al., 2009).

In 2011, Möller et al. conducted a study where they made a content analysis of 130 listed German companies’ amount of human capital disclosures in the annual reports of 2008. They wanted to find out what the main drivers of human capital disclosures are by testing the results of previous research to confirm or contradict the assumptions. The assumptions were that firm size, industry, profitability and shareholder return influence human capital reporting. The findings of Möller et al.’s (2011) study show that human capital reporting is influenced by both firm size and industry. Firm size, in terms of number of employees, is identified as a main driver because large organizations have a wider range of stakeholders and therefore the demand for information is greater. Since companies in various industries face different stakeholder demands, their disclosure behaviours are affected by these demands and therefore the amount vary across industries. Companies in the software, telecommunication and chemical industries provide the highest amount of information and companies in industries like food and beverage, media, and financial services provide the least amount of information regarding human capital (Möller et al., 2011).

Another paper written by Domínguez (2012) examines to what extent 105 Spanish listed companies disclose information about human capital in their annual reports. The results show that the relation to size is a significant indicator. The results also reflect that the most competitive companies are those who pay more attention to human capital disclosure and social issues related to employees. According to Domínguez (2012) the reason for this is that these companies are more concerned about human resources. Employees are a key element for those companies with a better position in the market and economic and social aspects of human resources contribute to generate competitive advantages (Domínguez, 2012).
2.5.2 Human Capital and Integrated Reporting

In the <IR> framework human capital is defined as “people’s competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organization’s governance framework, risk management approach, and ethical values, ability to understand, develop and implement an organization’s strategy, and loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate” (IIRC, 2013, p. 12). In the discussion paper from 2011 IIRC states that integrated reporting will give investors and other stakeholders a deeper explanation of organizational performance and value-creation compared to traditional corporate reporting. The paper also states that it will make the information about the organization’s use and impact of different resources more exhaustive and clear. For employees, the new integrated framework is supposed to bring improvements to their ability to understand how their performance is linked to organizational goals and missions and how their contribution leads to value-creation over time. Since <IR> focuses on reporting on the value-creation in the short, medium and long term, employees, both current and potential, will get a more holistic view over the actual and future outlook of the organization and how their employer can contribute to career developments within the organization (IIRC, 2011). This can lead to both attracting and retaining current and potential employees now and in the future.

A study made by Setia et al. (2015) aims to examine whether the integrated reports in South African listed companies prepared in accordance with the King III Code provide the information intended of an integrated report. The results show that the introduction of integrated reporting in South Africa has resulted in a significant increase in the disclosure of human, social and relational, natural and intellectual capital information in the listed companies (Setia et al., 2015). Similar results are found in another study of integrated reporting companies in South Africa (ACCA, 2012). The results in this study show an increase in the quantity of social information, which includes human capital, in the reports after the introduction of integrated reporting. Interestingly, the study also shows an increasing disclosure and focus on risks and risk management, which indicates that there have been a shift in the perceptions of corporate reports and that stakeholders nowadays demands a more future-oriented focus (ACCA, 2012).
A study made by Atkins and Maroun (2015) aims to investigate the early reactions to the first sets of integrated reports prepared by companies listed at Johannesburg Stock Exchange. They conveyed detailed interviews with 20 South African institutional investors and analysts to identify subjects and principles and to construct an initial assessment of the investors’ views on South African integrated reporting. The results of the analysed interviews show that the new reporting framework is seen as an improvement to the traditional annual reports in South African listed companies. Overall, more emphasis is put on non-financial measures, including human capital, and evidence of an effort to integrate financial and non-financial information to provide a better understanding of organizational sustainability. However, the length of reports, repetition and a check box approach to reporting reduce the usefulness of the reports and challenge the development of the integrated thinking philosophy. The interviewees exposed several examples of how integrated reports can be improved and most notably, the reports need to be concise and focus on the key financial and non-financial metrics affecting an organization’s performance and sustainability (Atkins & Maroun, 2015).

2.6 Disclosure Theories

Disclosures, within the accounting area, are to publish information and descriptions in corporate reports (Rimmel, 2016). It means that organizations provide a holistic overview of information to external stakeholders. Supply and demand is important to decide how much information to disclose. The optimal point, where supply and demand intersects, is when organizations supply exactly the amount of information that their stakeholders are demanding. If organizations are supplying less information than what is demanded, it will probably result in inappropriate investment decisions. To explain the amount of voluntary disclosures in sustainability reports many studies use the legitimacy theory (Rimmel, 2016).

2.6.1 Legitimacy theory

The legitimacy theory is a theoretical explanation to why organizations strive to conduct business in a manner that is accepted by the society (Deegan & Unerman, 2011). Organizations are trying to operate within the limits and standards that the society expects that the organization should adapt to. If the expected standards are met, stakeholders will
perceive the organization as legitimate (Rimmel, 2016; van Bommel, 2014). In the legitimacy theory it is believed that as long as the society perceives the organization as legitimate, the business has potential to continue its current operations. If they fail it may lead to that the society restricts its activities, for example by limiting its resources in the form of financial capital, labour or that the demand for the organization's products decreases. What is perceived as legitimate differs depending on the time and place where the organization is operating. The society's knowledge and perceptions of the organization's management and accounting are what shapes legitimacy, so what the organization choose to report on is very essential. Organizations tend to report only on positive activities in their sustainability reports even if bad things have happened during the year (Deegan & Unerman, 2011).

Reverte (2009) argues that the sustainability report varies depending on the size of the organization, its impact on the environment and the degree of attention in media. Therefore he claims that the legitimacy theory is the most relevant theory to explain the application of sustainability reporting. To create legitimacy, organizations report on how they work with social, ethical and environmental issues, which are issues that the society prioritizes. If they do not report on how they deal with these issues, it can damage its legitimacy. When it comes to human capital Kent and Zunker (2013) argue that the legitimacy theory is an appropriate theory to explain why this information is recognized as a specific area in the sustainability report. In their study, they concluded that organizations report information about their employees to increase, maintain or restore damaged legitimacy from the society. This is done primarily through the voluntary report.

### 2.6.2 Stakeholder theory

The most well known definition of stakeholders is the one by Freeman in 1984: “*any group or individual who can affect or is affected by the achievement of the organization’s objectives*” (Mitchell, Agle & Wood, 1997). The stakeholder theory stems from the political economy theory which can be seen as a social, political and economic framework for how people live their lives (Deegan & Unerman, 2011). The social, political and economic aspects are considered to be inseparable and researchers who study the theory get a broader picture regarding how organizations conduct its businesses and what information they choose to communicate.
Therefore organizations’ reports cannot be considered as neutral because they are used to mediate between and satisfy various stakeholders’ information needs. Stakeholders, such as for example consumers, can affect organizations’ sustainability reporting by demanding for example information regarding the social origin of products, including the working conditions of the employees (Islam & Deegan, 2008). Islam and Deegan (2008) argue that social and environmental reporting can be affected by how much power the stakeholders have. One way to meet the expectations from the stakeholders is by disclosing information in the annual report that is constantly adjusted based on the stakeholders’ needs, requirements and power. Because large organizations have more stakeholders that affect the accounting this results in that these reports contain more information areas (Unerman & Bennett, 2004).

The stakeholder theory is divided into two branches, the ethical and the strategic. The main difference between the two branches is the motivation behind what drives management to issue voluntary information (Deegan & Unerman, 2011). Stoney and Winstanley (2001) argue that the ethical branch focuses on how the organization should act, thus, what is considered to be right and has a normative approach. This means that the organization’s primary focus should be to act ethically and that all stakeholders are worth equally to the organization. The ethical perspective implies that organizations have a responsibility to provide information to their stakeholders. The strategic branch, on the other hand, is descriptive in nature and explains how an organization will prioritize its stakeholders in different situations (Gray et al., 2014). It is argued that it is not practically possible to take all stakeholders’ interests into account and therefore organizations need to prioritize (Deegan & Unerman, 2011). Mitchell et al. (1997) state that control, legitimacy and necessity between the organization and its stakeholders are factors that will affect how each stakeholder relationship is prioritized and the more power a stakeholder has the more important the stakeholder is for the organization.
3 Methodology

In this chapter, the chosen research methods for this study will be presented. The choice of research approach and strategy are presented followed by descriptions of how data have been sampled, the construction of the disclosure scoreboard and the process of how data has been collected and coded. Finally, the chapter concludes with a discussion of the credibility of the research.

The process of conducting a research study involves many different stages. From the first thought of ideas regarding research field to the finished concluding stage of the findings. To get a satisfied final result it is important not to rush through important stages in the process. The aim of a research is to obtain results from the empirical study that answer the selected research questions. To reach this outcome, it is needed to formulate the research strategy and design with background of the purpose of the study. That is why the aim of the method process in a research project is to conduct a research strategy and design that fits and answers the research questions. Thus, it is many different aspects to take into consideration (Bryman & Bell, 2015; Saunders, Lewis & Thornhill, 2009).

3.1 Research Approach

In one way or another theory will become part of the study. In almost all cases theory becomes applicable when it comes to forming the concluding formulations of the study. But there can be other ways of using theory earlier in the research process. Saunders et al. (2009) present two different ways of using theory that shapes the research approach; the deductive and the inductive approach. The most distinct difference between the two is that a deductive research is built upon theory and hypothesis. These hypotheses are to be tested through collection of data to verify whether the theory is applicable or not to the studied problem. In the other way around, inductive research starts with the collection of data and thereafter formulates theory and assumptions to answer questions about the researched problem. A deductive approach often follows a linear and straight forward process whereas the inductive approach are more flexible and open for new insights during the research process (Bryman & Bell, 2015). Saunders et al. (2009) argue that flexibility and possibility to
develop alternative explanations to a research problem is important to get an understanding of what is really going on, instead of only looking at what pre-determined theories state.

This study has adopted an inductive research approach. Previous research and theories about the effect integrated reporting has on the choice of disclosed information are limited and therefore the purpose of this study is not to formulate hypothesis to verify already stated theories. This research process needs to be open for new insights that can generate deeper and possibly new knowledge in the field of integrated reporting and human capital disclosures, which require a flexible inductive research approach.

3.2 Research Strategy

The research process involves a choice of research strategy that sets the outline for further choices of methods to be used in the progress of answering the research questions. Methodology writers state two different strategies, qualitative and quantitative research (Bryman & Bell, 2015). A quantitative research is characterized by its way of transforming information into quantifiable numbers and measurements that are collected and analysed. In contrast, a qualitative research focuses on words rather than on numbers in the collection and analysis and do not generate quantifiable measurements. Qualitative research is about creating an understanding of the words and its meaning in the collected data and analysis (Saunders et al., 2009).

For this study a combination of qualitative and quantitative research have been conducted. The empirical study is built upon observations and analysis of human capital information from the sampled companies’ annual and sustainability reports. The quantitative part of the research is based on collection of data through a self-constructed disclosure index. The index contains of pre-determined disclosure items related to human capital and each and every item that the company fulfils to disclose information about is counted and quantified. Saunders et al. (2009) argue that it is appropriate to conduct a quantitative research when frequency of occurrences, differences and relationships of variables are stated. The qualitative part of the research is data collected through information disclosed additionally to the pre-determined disclosure items in the disclosure index within the area of human
capital. Bryman and Bell (2015) argue that one advantage of qualitative research is that it gives the research more flexibility and possibility to explore wider areas within the research field. Because of the lack of guidelines regarding what specific information that should be included in an integrated report the idea of constructing a disclosure index only based on basic disclosure items leave room for including additionally disclosed information beyond the pre-determined index. This is in line with the inductive research approach discussed above and gives opportunities for deeper interpretation and understanding of what information the sampled companies’ choose to disclose.

3.3 Sampling

This study aims to analyse the disclosed human capital information in integrated reports and annual and sustainability reports among companies at the Swedish stock market. In the process of constructing a research sample, it has been limited to include only companies listed at the Nasdaq Stockholm OMX30, by 2016-02-01. OMXS30 include the 30 most traded shares at the Swedish stock market. This is one of the motivations behind the choice of companies at OMXS30 as a sample for this study. Since these companies’ stocks are the most frequently traded at the Swedish stock market they tend to obtain higher pressure from various stakeholders to be held responsible and accountable for their business and its actions. This can have possible influences of the choice of disclosed information in corporate reports. Another motivation of the choice of using OMXS30 is that the list includes companies from various business sectors, which increase the spread among the sampled companies. Finally, after readings of previous research made by students at Swedish universities on the topic of integrated reporting, the main reason behind the choice of OMXS30 is that it most probably includes companies that have interpreted the concept of integrated reporting and produce a report accordingly. The OMXS30 includes 30 different stocks but only 29 companies. The reason is that one company, Atlas Copco AB, has both its A and B shares listed at the OMXS30. Thus, this company is counted as one component which results in a research sample of 29 companies. The sampled companies can be seen in Table 3.2 in section 3.7 below.
3.4 Choice of empirical research sources

This study builds upon analysis of the content in corporate reports among the sampled companies at OMXS30. In an early phase of the study, the reports were quickly overviewed to get an understanding of how and where companies choose to disclose human capital information. It was found that it varied a lot between the companies. All companies mentioned employees and information regarding human capital in one or another way in their annual reports, but most of the companies had separate sustainability reports where the concept was described more detailed. It can be argued that only the annual report should be examined since this is the document where companies announce the most important information regarding its activities during the year (Rimmel, 2003) and it is mandatory to publish an annual report by Swedish law (Regeringskansliet, 2015). Since this study aims to make an analysis of report contents of both integrated reporting companies and companies not reporting according to integrated reporting it was decided that both the annual reports and the sustainability reports should be examined. The early overview of the report content showed that some companies only mentioned a few words about human capital in its annual report and referred to its sustainability report. By excluding the content in the sustainability report, it would be expected to get invalid and misleading results since a lot of the human capital information is included in this report.

There were three different scenarios of report collections. Firstly, for companies that indicated that their sustainability information was integrated in the annual report, only this report was examined since this document is expected to include all the important information regarding human capital. Secondly, if the companies had its sustainability report included in the annual report but without stating that the information is integrated only the annual report was examined. Lastly, for companies that had separate reports, both the annual report and the sustainability report were examined.

Due to comparability and feasibility reasons, only reports that were available to download have been examined. This means that online documents and information on the companies’ websites have been excluded since this type of information sources are often inconstant and varies over time. Using these information sources would lead to incomparability and misleading results among the sampled companies. It was found that
Tele2 and Electrolux only provided its sustainability information online and thus this information was excluded in the data collection.

Since the aim of this study was to get a picture of the current disclosures of human capital data was gathered and analysed from annual and sustainability reports published for the year 2014. This means that reports published earlier or later have not been used in this study. Reports for the year 2015 were excluded since most of the sampled companies do not publish its yearly reports before April every year. Due to time constraints it was not possible to use reports for the year 2015 since the deadline of this thesis was in May 2016.

3.5 Self-constructed disclosure scoreboard

A content analysis of voluntarily disclosed information in corporate reports is a common method to use in academic research to measure and analyse the amount of information disclosed (Rimmel, 2016). After reviewing previous studies on measurements and analyses of disclosed information in corporate reports it was found that disclosure scoreboards are the most commonly used method. Even if the method is commonly used, it is lacking theoretical guidelines for how to construct a disclosure scoreboard. Therefore, the self-constructed disclosure scoreboard in this study is largely built upon previous research on human capital disclosures that use the same method (Cooke, 1989; Rimmel, 2003; Rimmel et al., 2009; Setia et al., 2015).

A disclosure scoreboard consists of a selection of disclosure items. Because of the lack of specific requirements from IIRC of what kind of human capital information that should be included in an integrated report the disclosure scoreboard in this study consists of a number of basic disclosure items regarding human capital. GRI is the most influential and commonly used reporting framework among organizations around the world (Gray et al., 2014; Brown et al., 2009a; Brown et al., 2009b; Etzion & Ferraro, 2010; Vigneau et al., 2015). The framework consists of three different reporting aspects; economic, environmental and social. The social aspect is divided into four sub-categories; labour practices and decent work, human rights, society and product responsibility, and each category includes specific disclosure items connected to the subject. The latest guidelines, G4, were issued in May 2013 (GRI, 2013). Therefore, as a basis for this disclosure
scoreboard, the specific disclosure items in the GRI category “labour practices and decent work” were critically evaluated. The items in G4 were used even though companies have been allowed to use the former framework G3 until the end of the financial year 2014 (GRI, 2013). This since it was only a minor change in the composition of items between G3 and G4. The items in G4 were compared and evaluated together with items selected in previous studies regarding human capital disclosures (Rimmel, 2003; Rimmel et al., 2009; Setia et al., 2015), the guidelines from IIRC and literature on the topic. Finally, 31 general items were selected and divided into six sub-categories based on the same division as in G4, see Table 3.1 below. 23 items were collected from G4 and 8 items were added from other sources. The structure of the selected items is clear and objective to minimize the involvement of the researcher's own assessment and thus, reduce the subjective estimation. To some specific disclosure items it was added a detailed criteria to extend the data collected for better opportunities to compare the results between the sampled companies. A detailed criterion was for example additional information of an item “by gender” or “by region”. The total number of detailed disclosures is 31.

Table 3.1 – Disclosure Scoreboard

<table>
<thead>
<tr>
<th>Disclosure category:</th>
<th>Code: (GA/LA according to G4)</th>
<th>Disclosure item: (Detailed disclosures in green)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPLOYMENT</td>
<td>G4-10</td>
<td>Total workforce</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By employment type (full-time/part-time)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By employment contract (permanent/temporary)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By employment region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By employment gender</td>
</tr>
<tr>
<td>Add. 1</td>
<td></td>
<td>Age of employees</td>
</tr>
<tr>
<td>Add. 2</td>
<td></td>
<td>Average period of employment with the corporation</td>
</tr>
<tr>
<td>LA1</td>
<td></td>
<td>Total number/rate of new employee hires</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By age group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total number/rate of employee turnover</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By age group</td>
</tr>
<tr>
<td>LA2</td>
<td></td>
<td>Benefits provided to employees (Ex. Life insurance, Health care, Disability and invalidity coverage, Parental leave, Retirement provision, Stock ownership</td>
</tr>
<tr>
<td>LA3</td>
<td></td>
<td>Return to work/retention rates after parental leave</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By region</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• By gender</td>
</tr>
<tr>
<td>Add. 3</td>
<td></td>
<td>Recruitment policies</td>
</tr>
<tr>
<td>LABOR/MANAGEMENT</td>
<td>G4-11</td>
<td>No/% of employees covered by collective bargaining agreements</td>
</tr>
<tr>
<td>RELATIONS</td>
<td>LA4</td>
<td>Minimum notice period(s) regarding operational changes</td>
</tr>
</tbody>
</table>
This disclosure scoreboard uses the same coding method, 0 or 1, as Rimmel (2003) and Cooke (1989) (Appendix I). The companies were given 0 if they did not disclose information regarding the item and 1 if they did. An example from Swedbank’s integrated report is shown in Figure 3.1 below. In this example, Swedbank is coded 1 for the general disclosure “Total number/rate of new employee hires” and 1 for the detailed disclosures “by region”, “by gender” and “by age group”.
Figure 3.1 – Coding method: Swedbank

<table>
<thead>
<tr>
<th>Total number and share of new employees by gender, age group and country, %</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of new employees</td>
<td>1,346</td>
<td>1,646</td>
<td>1,224</td>
</tr>
<tr>
<td>Women</td>
<td>62%</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>Men</td>
<td>38%</td>
<td>43%</td>
<td>37%</td>
</tr>
<tr>
<td>0–29 years</td>
<td>61%</td>
<td>54%</td>
<td>59%</td>
</tr>
<tr>
<td>30–44 years</td>
<td>30%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>45–59 years</td>
<td>8%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>60+ years</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>37%</td>
<td>52%</td>
<td>46%</td>
</tr>
<tr>
<td>Estonia</td>
<td>25%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Latvia</td>
<td>14%</td>
<td>15%</td>
<td>24%</td>
</tr>
<tr>
<td>Lithuania</td>
<td>24%</td>
<td>14%</td>
<td>11%</td>
</tr>
</tbody>
</table>

1) Figures for 2012 and 2013 are adjusted compared to Swedbank Sustainability Report 2013

(Swedbank, 2014, p. 182)

As a complement to the collected data, additional information disclosed by each company beyond the pre-determined disclosure items in the scoreboard was added and followed the same coding procedure. To get a better understanding of the additionally disclosed information text and figures were print-screened from the reports in order to use in the analysis process. An example of additional information disclosed in Boliden’s integrated report is shown in Figure 3.2 and 3.3 below. Boliden disclose information regarding its potential risks and risk management in the area of health and safety and recruitment. These types of disclosure items are not included in the pre-determined items in the scoreboard, which makes them coded as additional disclosures.

Figure 3.2 – Additional disclosure: Boliden – Health and safety

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description of risk</th>
<th>Management and comments for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and safety</td>
<td>Boliden handles large material flows, both below and above ground. Employees and contractors are periodically exposed to heavy machinery and lifting, to high temperatures, and to substances that are hazardous to health. Deviations from established routines or inadequate maintenance can give rise to dangerous situations and the risk of personal injury. The risk of serious accidents that can result in personal injury or fatalities must be respected and ongoing efforts to minimise it are vital. There is also a trend towards an increase in long-term sick leave that can result in a deterioration in the risk situation that can, in turn, result in an increase in ill health and accidents in future.</td>
<td>Boliden has well-established health and safety routines, with a clear zero tolerance vision. The number of accidents resulting in lost time (LT), including those suffered by contractors, fell, year on year, and totalled 7.3 (8.2). Work on developing a cleaner work environment strategy for the period from 2014 to 2018 has been intensified during the year and one of the important focus areas has been the augmentation of routines relating to preventative health and safety work.</td>
</tr>
</tbody>
</table>

(Boliden, 2014, p. 47)
The reason behind the choice of collecting additional information disclosed by companies is that there is a lack of specific requirements of what human capital disclosures should be included in an integrated report. There is also a lack of previous research about the effects integrated reporting have on the choice of disclosed information. By using a disclosure scoreboard including the most basic disclosure items of human capital in combination with collection of additional information will increase the understanding of how human capital information is disclosed in different reporting frameworks. It will also increase the understanding of what effects integrated reporting have on the human capital disclosures and thereof give answers to the research questions of this study.

To further extend the data collection for better analysis of the disclosed information between IR companies and companies not using IR, additional sets of categories were selected and included in the scoreboard. Companies were coded 0 or 1 if the item was disclosed in the annual report, the sustainability report, or in both reports, and if the item was disclosed in text, figure/table or both in text and figure/table. Additionally, it was noted at which page in the report the item was disclosed. An example from Atlas Copco’s integrated report is shown in the Figure 3.4 and 3.5 below. The company has been coded 1 for disclosing the item “hours of training per year per employee” in both text (green) in Figure 3.4 and figure in Figure 3.5. For the disclosure item “employment level of education” the company has been coded 1 for disclosure in text (blue) in Figure 3.4 but 0 for disclosure in figure/table since it did not exist.

(Boliden, 2014, p. 48)
developing competence, but also for successful integration of newly acquired companies. Experienced managers in senior positions lead the integration process and make it possible to establish the Group’s Business Code of Practice, values and vision in an efficient and pragmatic manner. In 2014, the average number of training hours per employee was 41 (40) hours and 82% (82) of employees had an appraisal.

One measure of success of the focus on competence building within Atlas Copco is the percentage of employees with a university degree. In 2014, 53% (53) of the white-collar employees had a university degree.

(Atlas Copco, 2014, p. 46)

3.6 Collection and coding of data

In the beginning of the empirical data collection process, the sampled companies’ annual and sustainability reports for the year 2014 were downloaded in pdf format from their webpages. As previously mentioned, in what section the human capital information was disclosed in the reports was not uniform across the companies. To be sure that no information was left out the search tool in the pdf document was used. Pre-determined specific “key words” for each disclosure item were used to find whether the reports included the disclosed item or not. To find other additional information beyond the disclosure items in the scoreboard, general keywords mentioned in the literature and connected to human capital were used, such as “employee”, “labour”, “human”, “human capital” and “people”.

A separate excel file containing all items of the disclosure scoreboard was created for each company. Through observations of the content in the reports, the items in the disclosure scoreboard were examined and a notation was made in the excel file if the company included or excluded the item. Also at what page and section and in what disclosure format the information was presented was noted. When human capital information beyond the items in the disclosure scoreboard was found, a notation was made about the specific additional information. The specific content in the reports were print screened and inserted
into the excel file. Furthermore, it was also noted if the company produced a separate report, a combined report or if they stated that they produced an integrated report.

3.7 Choice of factors used in the analysis

The factors company sector and company size were chosen to be used in the analysis since previous studies show that they can have an impact of human capital disclosures in corporate reports. Company size is based on the number of employees in the company group at the end of the financial year of 2014.

To be able to examine if the factor company sector was affecting the amount and type of human capital disclosures in IR companies, the 29 sampled companies at OMXS30 were divided into nine different sectors. The company distribution between sectors and the division of companies into respectively sector is shown in Figure 3.6 and Table 3.2 below. The sectors are based on Morningstar Global Equity Classification Structure (Morningstar, 2016).

Figure 3.6 – Company distribution between the sectors
Table 3.2 – Companies divided in sectors

<table>
<thead>
<tr>
<th>Basic Materials</th>
<th>Communication Services</th>
<th>Consumer Cyclical</th>
<th>Consumer Defensive</th>
<th>Energy</th>
<th>Financial Services</th>
<th>Healthcare</th>
<th>Industrials</th>
<th>Technology</th>
</tr>
</thead>
</table>

### 3.8 Credibility of the research

When evaluating business research it is important to consider the credibility of the research and its results and conclusions. Therefore it is important to consider the reliability and validity of the research (Bryman & Bell, 2015).

According to Bryman and Bell (2015) reliability is concerned with the research coherence, consistency and reliability. The research is supposed to be repeatable by others and attain the same results. Reliability is particularly of importance in qualitative research since it contains higher risk of being influenced by the researchers’ own valuations (Bryman & Bell, 2015). This study includes a qualitative research as data is collected additionally to the pre-determined items in the disclosure scoreboard. The risk in the collection of qualitative data is reduced by dual review of the corporate reports by both researchers and thereafter the results are compared in order to eliminate individual interpretations. By having pre-stated disclosure categories, which focus on what information to add, also reduce the risk. By combining qualitative and quantitative methods increase the ability of finding answers to the research questions because of the lack of specific guidelines of what human capital information to include in an integrated report. The self-constructed disclosure scoreboard with pre-determined items works as a quantitative foundation in the research, whereas the more subjective qualitative part works as an additional method to extend the data collection. Having a quantitative method as a foundation in the research increases the reliability of the research since data can be collected objectively.
Validity refers to the conclusions and results of the research. The question is whether the method used for measuring data really measures what it is aimed to. If the research is lacking validity the findings and conclusions can be questioned (Bryman & Bell, 2015). To ensure the validity of this research, the choice of method was made based on previous studies with the aim of collecting and measure information in corporate reports. It was found that disclosure scoreboards were a commonly used method, which has resulted in valid findings in several previous studies. Therefore the same method was used in this study to bring validity to this research.
4 Empirical Findings

This chapter presents the empirical findings of this study, which form the underlying basis for the coming analysis followed by the conclusions and discussion. To give the reader a clear and informative presentation, the results have been compiled into various figures and in each of the coming sections a deeper description of its main findings will be described.

4.1 Introduction

The empirical findings are based on data collected in the disclosure scoreboards from the studied companies. Also, the additional data beyond the items in the scoreboard are presented. To make it more clear and distinguish the IR companies from the other companies, these companies have been marked in red were it is possible.

4.2 Report Format

Figure 4.1 presented below shows the distribution of report format among the studied OMXS30 companies.

![Report format OMXS30](image)

Figure 4.1 – Report format OMXS30
Out of the studied 29 companies, 6 companies state that they integrate their sustainability information with their financial information in the 2014 annual report. These companies are AstraZeneca, Atlas Copco, Boliden, SKF, Swedbank and Tele2. Of the 23 companies not publishing an integrated report, 15 companies have separate reports, which mean that they publish one annual report and one sustainability report for the year 2014. 8 companies have combined reports, which mean that they publish their annual report and sustainability report in the same document, but without indicating that the information is integrated.

The most commonly used reporting framework among the studied companies is GRI, and the latest version G4. When it comes to the IR reporting companies, all 6 companies report according to GRI. Atlas Copco is the only IR company who states that they follow the $<$IR$>$ framework.

The length of the reports, counted in number of pages, varies a lot between the studied companies. In the non-IR companies, the number of pages of the annual report ranges from the lowest amount, Fingerprint, with 68 pages to highest amount, Sv. Handelsbanken, with 240 pages. When it comes to the sustainability reports the length varies from the shortest report, Securitas, with 18 pages to the longest report, H&M, with 117 pages. The IR companies’ reports also vary a lot in number of pages. Astra Zeneca, SKF and Swedbank have over 200 pages long integrated report. Atlas Copco and Boliden have around 130 pages. The shortest IR report is Tele2 with 72 pages.

### 4.3 Number of disclosures

In the coming section Figure 4.2 to 4.6 are presented. The figures show the compilation of the data collection in the respective disclosure scoreboard for each company. Also the additional information disclosed by the companies is presented.
4.3.1 Number of general and detailed disclosures

Figure 4.2 – Number of general and detailed disclosures sorted after number of total disclosures

Figure 4.3 – Number of general and detailed disclosures sorted after number of general disclosures

Figure 4.2 and 4.3 show each company’s number of general and detailed disclosures. In Figure 4.2, the companies are sorted after highest number of total disclosures, including both general and detailed disclosures. In Figure 4.3, the companies are sorted after highest number of general disclosures. The two figures show that Atlas Copco, Swedbank and SKF
take place among the top 10 companies with the highest number of disclosures while Boliden and Tele2 are among the companies with the lowest amount of disclosures.

Out of the 31 general disclosures in the scoreboard it can be seen that some disclosure items are more commonly disclosed than others. All 29 companies report on “Total workforce”, “Benefits provided to employees” and “Composition of governance bodies” and 25 companies report on “Programs for learning and development” and “Career and/or job rotation opportunities”. The most common detailed disclosure, which almost all 29 companies disclose, is total workforce divided “by region” and “by gender”.

It can be seen that some of the companies change positions between the two figures. For example, Atlas Copco move forward to the top position in Figure 4.3 since they have the highest number of general disclosures. On the contrary, top position companies in Figure 4.2, such as Nordea and Swedbank, move backward since they have less number of general disclosures.

The financial companies Nordea and Swedbank have higher number of detailed disclosures and therefore receive the two highest scores in total disclosures. Even if both companies get a high score differences can be seen in what type of information they disclose. Nordea seems to put more focus on health & safety compared to Swedbank. Nordea disclose 5 general items compared to Swedbank who only disclose 1 general item of the total 8 general disclosure items in the health & safety category. Nordea also have a higher number of detailed disclosures compared to Swedbank in the health & safety category. Worth to notice is that Swedbank’s annual report of the year 2014 is their first integrated report.

In both Figure 4.2 and 4.3, AstraZeneca is placed in the middle together with Alfa Laval and Assa Abloy who have a similar number of general and detailed disclosures. The three companies disclose quite similar items and no significant differences can be seen.
4.3.2 Number of additional disclosures

Figure 4.4 – Number of additional disclosures

Figure 4.4 shows each company’s number of disclosures in addition to the items in the disclosure scoreboard, so called additional disclosures. It can be seen that all IR companies except Tele2 have higher scores and take place among the top 9 companies with the highest number of additional disclosures.

An example of one of the most common additional disclosures among the companies is “Employee Survey” which is disclosed by 24 companies. This disclosure shows the measures and results of for example the level of satisfaction and perception of working conditions from a conducted survey among the employees during the year. Another common additional disclosure is “Number/percentage of females in management positions” which is disclosed by 16 companies. Also information and descriptions of “Health and safety programs” are a common additional disclosure.

As already mentioned, 5 out of 6 IR companies have high scores when it comes to additional disclosures. Except this some differences can also be seen in what type of additional information the IR companies disclose compared to the other companies. Most of the additional disclosures by IR companies are an extension of the general disclosures in the scoreboard with more detailed information, in addition to the detailed items in the scoreboard. A few examples are “Level of education by region” disclosed by Swedbank,
“Retention rate by region and gender” disclosed by SKF and “Total number/rate of new employee hires by division” disclosed by Atlas Copco. Most of the additional disclosures by Atlas Copco are detailed extensions of the items in the scoreboard, particularly in the employment category.

Atlas Copco, Boliden and AstraZeneca disclose additional information about potential risks and risk management in the area of human capital. This is not the case in the other companies’ additional disclosures. For example, Atlas Copco, Boliden and AstraZeneca state that they see a potential risk to not recruit, attract and retain future key employees and describe how they will manage this potential risk. Atlas Copco and Boliden also state potential risks they see in the area of health and safety and how this can affect their employees and their work with risk management in the area.

### 4.3.3 Total number of general, detailed and additional disclosures

![Figure 4.5 – Total number of general, detailed and additional disclosures](image)

Figure 4.5 – Total number of general, detailed and additional disclosures
Figure 4.5 and 4.6 show each company’s total number of disclosures, including general, detailed and additional disclosures. In Figure 4.6 the total number is divided in the three different categories of disclosures.

In Figure 4.5 and 4.6 it can be seen that Boliden has moved forward to a position closer to AstraZeneca in the middle compared to Figure 4.2. This since they disclose a higher number of additional disclosures compared to other companies with a low number of general and detailed disclosures. Except this Figure 4.5 and 4.6 show roughly the same results as Figure 4.2, a high spread in positions of the IR companies. Atlas Copco and Swedbank still take place among the companies with the highest number of disclosures and Tele2 are among the companies with the lowest number of disclosures. Since Atlas Copco has a significantly higher number of additional disclosures than ABB and Swedbank, they move forward in Figure 4.5 and 4.6 and is the company with the second highest number of disclosures among the studied companies.

To be able to see if there are any differences in how the companies present their information in the reports it has been noted in each company’s scoreboard at which page in the report the item is disclosed. One example worth to notice is Atlas Copco and Nordea. Nordea, with the highest number of disclosures, has separate reports, one annual report and one sustainability report. Most of their human capital disclosures are presented on seven pages in the 54 pages long sustainability report, page 46-49 and 33-35. In
contrary, Atlas Copco, which has a lower number of total disclosures, presents their human capital information in the 210 pages long integrated report spread out from page 1 to 129. Another example is SKF and SEB which both have a total of 29 disclosures. SEB has separate reports with most of its human capital disclosures in the 62 pages long sustainability report. Most of the disclosures are presented on 5 pages, 35 and 51-54. In contrary, SKF has a 216 pages long integrated report and disclose their information on pages 1-18, 90-94, 158 and 179-180.

4.4 Disclosure format

To be able to see if there are any differences in how the companies present their information in the reports it has been noted in each company’s scoreboard in what disclosure format (text, figure/table or text & figure/table) the item is disclosed. The results are presented in Figure 4.7 below.

![Disclosure format](image)

**Figure 4.7 – Disclosure format**

Each company’s percentage of the three different categories of disclosure formats are calculated based on their respective total number of disclosures, stated in parentheses after the company name.
It is important to take into account that the variety in each company’s total number of disclosures can make the percentage misleading. For example Kinnevik and Swedbank seem to have a quite similar percentage of their disclosure in each format, but still there is a big difference in their total number of disclosures since Kinnevik has 6 disclosures and Swedbank 40 disclosures. This means that Swedbank has a lot more of its disclosed information in text compared to Kinnevik even if the percentage is quite similar.

4.5 Company sectors and size

In the coming section Figure 4.8 to 4.16 are presented to show if different sectors and company size have any impact of the IR companies’ number and type of disclosures. The figures are a compilation of all companies at OMXS30 divided into sectors.

4.5.1 Total number of disclosures divided by sectors

Figure 4.8 shows all companies at OMXS30 divided into sectors. Within the sectors the companies are sorted after highest total number of disclosures (general, detailed and additional).

![Graph showing total number of general, detailed and additional disclosures divided by sectors for OMXS30 companies.](image)

Figure 4.8 – Total number of general, detailed and additional disclosures – Divided by sectors
Overall, it can be seen that it is a great spread in the total number of disclosures among the companies within each sector. Only within the basic materials sector the number of disclosures are somewhat similar between the companies. In the sectors industrials, financial services and healthcare the IR companies, Atlas Copco, SKF, Swedbank and AstraZeneca, have a high number of disclosures in relation to the other companies within the specific sector. This is not the case for the IR companies Boliden and Tele2 in the sectors basic materials and communication services.

4.5.2 Percentage of disclosure divided in categories

OMXS30 comprises nine sectors in total but only five of them include IR companies – industrials, financial services, basic materials, healthcare and communication services. In the figures below only the five sectors that include IR companies are taken into account. Figure 4.9 to 4.12 show the results of each company’s percentage of disclosure divided in the six categories from the disclosure scoreboard. The companies are divided into sectors.

The percentage is based on the total individual disclosures in every company. When looking at the results in the figures below it should be taken into account that the percentage can be misleading. One example is Atlas Copco and Securitas in Figure 4.9. Atlas Copco’s total number of disclosures is 42 and in the category “employment” they have 38% of its disclosures. This means that out of their total number of disclosures they have 16 items in the category “employment”. When looking at Securitas their percentage of disclosures in the category “employment” is as high as 53% but their total number of disclosures is only 15. This is almost the same amount as Atlas Copco has in the category “employment” only. Securitas’ 53% in “employment” is only 8 disclosure items.
In Figure 4.9 nothing distinguishing can be seen between the companies in the sector industrials. The percentages are widespread within the sector. Atlas Copco and SKF are two of the three companies with the highest number of disclosures but they are not deviating from the percentages of the other companies within the sector. SKF shows a high percentage in the category “labor/management relations” in comparison to both Sandvik and Alfa Laval who do not disclose anything in this category.

Figure 4.10 – Percentage of disclosure divided in categories – Financial Services
Figure 4.10 shows the financial services sector where the only IR company is Swedbank. This sector shows a greater spread in the percentages compared to the sector industrials in Figure 4.9. Neither Investor nor Kinnevik disclose anything about “health & safety” but they both have a high percentage in the category “diversity & equality”. Swedbank is the only company that disclose information about “supplier – labor practices”.

Nordea and Swedbank have the highest total number of disclosures within the sector. Differences that are worth to mention between the two are that Nordea has 21% in “health & safety” whilst Swedbank only has 8%. In contrary, Swedbank has 25% in “diversity & equality” whilst Nordea only has 8%. Swedbank has a lower percentage in the category “training & education” compared to most of the other companies.

<table>
<thead>
<tr>
<th>Percentage of disclosure divided in categories - Basic Materials, Healthcare &amp; Communication Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Percentage of disclosure divided in categories - Basic Materials, Healthcare &amp; Communication Services" /></td>
</tr>
</tbody>
</table>

**Figure 4.11 – Percentage of disclosure divided in categories – Basic Materials, Healthcare & Communication Services**

In Figure 4.11, the results from three sectors are shown; basic materials, healthcare and communication services. A few similarities can be found within the sector basic materials. As mentioned in Figure 4.8, basic materials is the only sector where the total number of disclosures in the companies are somewhat similar. In Figure 4.11 it can be seen that three of the categories, “employment”, “labor/management relations” and “training & education”, are relatively similar in percentage as well. Boliden, as the only IR company, has a quite high percentage in the category “health & safety” but do not disclose any
information in the category “supplier – labor practices”. The percentage in “diversity & equality” is low in Boliden when compared to Assa Abloy and SSAB.

In the healthcare sector AstraZeneca has a higher percentage than Getinge in the categories “employment”, “labor/management relations” and “supplier – labor practices” but lower percentage in the other categories. In the communication services sector a huge spread in the percentages can be seen between TeliaSonera and Tele2. TeliaSonera has 21 disclosures whilst Tele2, as the IR company in this sector, only has 14 disclosures. Tele2 does not disclose any information regarding “health & safety” or “supplier – labor practices”. The percentage in “employment” and “diversity & equality” is higher in Tele2 but the actual number of disclosures is similar in TeliaSonera.

When looking at Figure 4.9, 4.10 and 4.11 together, similarities and differences between the sectors are found. “Employment” is the most disclosed category in all sectors. It varies from 29-53%. All companies disclose the least amount of information in the category “supplier – labor practices”. When looking at Swedbank they have a relatively low percentage in the category “training & education” when compared to companies in the other sectors. Overall, all sectors have relatively similar percentages in most of the categories.

![Percentage of disclosure divided in categories - IR companies](image)

**Figure 4.12** – Percentage of disclosure divided in categories – IR companies
Figure 4.12 presents an extract from Figure 4.9, 4.10 and 4.11 and includes only the IR companies. Overall it is a great spread of the disclosures in the different categories in the companies. All companies except Tele2 disclose information regarding “health & safety”. Atlas Copco, SKF, AstraZeneca and Boliden seem to focus more on “health & safety” than Swedbank and Tele2. Instead, Swedbank and Tele2 seem to focus more on “diversity & equality”. Boliden and Tele2 are the only companies that do not disclose information in the category “supplier – labor practices”.

### 4.5.3 Company size and number of disclosures

Figure 4.13 to 4.16 show the companies divided into the five sectors that include IR companies. Within the sectors the companies are sorted after company size (number of employees in the group). The figures also include the total number of general, detailed and additional disclosures in each company.

![Figure 4.13 – Company size and number of disclosures - Industrials](image)

Figure 4.13 indicates that Securitas has a significantly larger amount of employees compared to the other companies within the industrials sector. They also have the lowest number of disclosures. ABB, Volvo and Skanska have a similar proportion of disclosures in relation to the company sizes. The same can be said about Sandvik and SKF. The company
sizes of SKF and Atlas Copco are almost the same but Atlas Copco has 13 more disclosures than SKF.

Figure 4.14 – Company size and number of disclosures – Financial Services

In Figure 4.14 it is seen that Swedbank has a high number of disclosures in relation to company size. Nordea has more than twice as many employees than Swedbank but only 8 more disclosures. SEB, Investor, Swedbank and Sv. Handelsbanken have quite the same company sizes but Swedbank has, on average, twice as many disclosures than SEB, Investor and Sv. Handelsbanken.
Figure 4.15 shows the results in three sectors; basic materials, healthcare and communication services. In the sector basic materials Boliden presents the highest number of disclosures in relation to company size. Compared to the size of Boliden, Assa Abloy is ten times bigger and SSAB is four times bigger but the three companies have a similar number of disclosures.

In the healthcare sector AstraZeneca reports few disclosures in relation to size when compared to Getinge. Getinge is four times smaller in size but the number of disclosures only differs by 6 items. Also, within the communication services sector it can be seen that the proportion of disclosures in relation to size is high in Tele2 compared to TeliaSonera.
Figure 4.16 includes only the IR companies. When comparing SKF and Atlas Copco, which are in the same sector, it can be seen that they have approximately the same company size but the number of disclosures differ. The company size and number of disclosures varies a lot between AstraZeneca and Swedbank. AstraZeneca is four times bigger but has only 25 disclosures compared to Swedbank’s 40 disclosures.
5 Analysis

In this chapter an analysis of the empirical findings will be presented in accordance with the frame of reference. The analysis will be presented in a similar structure as in the previous chapter, starting with the analysis of the amount of human capital disclosures followed by an analysis of the impacts of the factors company sector and company size. The analysis is intended to tie together the empirical findings with the frame of reference to end up with conclusions that answers the research questions of this study.

5.1 Integrated reporting and the <IR> framework

Historically, the ways organizations have used and implemented the concept of sustainability reporting have taken various forms. As the results from the studied companies show there are still variations in how companies choose to present its sustainability achievements. The majority of the companies at OMXS30 have separate reports; one annual report and one sustainability report, where they present their human capital information. Only a few companies have taken the next step to combine their reports, and even fewer companies have taken an even further step to publish an integrated report. As stated by both Villiers et al. (2014) and Gray et al. (2014) one reason for this can be that combined reports increase in scope and therefore it makes it more complex for companies to present their sustainability information in a clear and informative way for the reader.

As acknowledged by previous researchers, GRI is the most commonly used framework for sustainability reporting (Gray et al., 2014; Brown et al., 2009a; Brown et al., 2009b; Etzion & Ferraro, 2010; Vigneau et al., 2015) and this can also be confirmed in the OMXS30 companies. As GRI (2016) and IIRC (2016a) state, the GRI framework is an important starting point when conducting an integrated report. It can be interpreted that the IR companies at OMXS30 have taken this into account since all of them use the GRI framework. Therefore they seem to be on the right track in the use and development of integrated reporting. However, the <IR> framework does not seem to have made its breakthrough yet at the Swedish market. Only Atlas Copco refers to IIRC and the <IR> framework. The lack of guidance and the need for major structural and informational
changes within the companies in order to implement the framework has been acknowledged in several previous articles (Haller & van Staden, 2014; Robertson & Samy, 2015; Steyn, 2014). The companies must evaluate the potential beneficial outcomes of an implementation of the new reporting framework and set this in comparison to the cost to make the internal reorganizations that the implementation seems to require. Since most of the IR companies in the study do not mention that they follow a specific integrated reporting framework, one can think that the companies struggle with the implementation of frameworks and experience a lack of clear guidance on how to work with it.

5.2 Number of human capital disclosures in the OMXS30 companies

The empirical findings show an overall low amount of disclosures regarding human capital in the OMXS30 companies, both IR and non-IR companies. The highest number of disclosures, such as Nordea with 39 disclosures and Swedbank with 32 disclosures, is almost only half of the total number of disclosures in the scoreboard. As Kent and Zunker (2013) argue, companies report information about their employees to receive legitimacy from the society. But as Deegan and Unerman (2011) state, what is perceived as legitimate in a society depends on the time and place where the company is operating, and thereof the variety of what information the company choose to report on. Even if the results cannot give an answer to the question regarding how much human capital information companies disclose in relation to other areas within sustainability reporting the results might indicate that the IR companies, and the companies at OMXS30 in general, feel that they already have the legitimacy from the society when it comes to human capital aspects. Therefore they are reporting less information in this area. The stakeholders are perceiving the company as legitimate when the expected standards are met in the respective operating area (Rimmel, 2016). Since Sweden is a country where law and regulations in many ways control and ensure fair and good working conditions and environment for employees the OMXS30 companies may feel that they already have fulfilled the expectation in the human capital area and instead put more emphasis on other sustainability issues, such as environment, where they feel a need to disclose more information to perceive legitimacy from the stakeholders and society. However, it should be taken into account that many of the companies operate outside of Sweden where the working conditions and environment for
employees may be less regulated, which contradicts this opinion and changes the perceptions of what is seen as legitimate in accordance to Deegan and Unerman (2011).

5.3 Number of human capital disclosures in the IR companies

Several previous studies of integrated reporting companies have indicated that human capital information have increased in focus and amount when information becomes integrated with other capitals (Setia et al., 2015; Atkins & Maroun, 2015; ACCA, 2012). Also, IIRC (2011) states that integrated reporting will give the reader a deeper explanation of the company’s performance compared to traditional reporting and therefore it can be expected that the information about human capital would be increased with the new reporting framework. The results from the study of the IR companies at OMXS30 show the contradictory. By analysing the results it can be said that none of the IR companies show a distinguishably higher amount of disclosed human capital information compared to the non-IR companies. In contrast to Setia et al. (2015), Atkins and Maroun (2015) and ACCA (2012) it can be interpreted that the concept of integrated reporting has only little impact regarding how much human capital information the IR companies disclose. Overall it is a great spread in the number of human capital disclosures among the IR companies. Atlas Copco and Swedbank are the only IR companies placed among the top five, but still the non-IR company Nordea has a higher amount of human capital disclosures. Tele2 is one of the companies with the least number of human capital disclosures. It is important to take into account that Tele2 states that they have an integrated report but refers to their sustainability report online at their webpage. Since the human capital information in their sustainability report online has not been counted, it can have contributed to the low number of disclosures. However, since an integrated report should contain all relevant material information the company wants to tell the reader (Villiers et al., 2014; IIRC, 2013) it can be expected that their material information should be disclosed in their integrated report.

As already mentioned, the concept of integrated reporting is quite new and the lack of clear guidance and the internal requirements of an implementation affects its development (Haller & van Staden, 2014; Robertson & Samy, 2015; Steyn, 2014). Most probably, this
have an impact on the outcome in amount of disclosures in the IR companies at OMXS30. Atlas Copco, who states that they report according to the <IR> framework, do not report distinguishably more information than Swedbank, who states that their annual report for the year 2014 is their first integrated one. This means that a company, who produce an integrated report for the first time without referring to any integrated reporting framework, report nearly the same amount of human capital information as a company that refers to the <IR> framework. In accordance with the arguments of Steyn (2014) and Robertson and Samy (2015), Atlas Copco, and the other IR companies at OMXS30, may struggle with the concept and the internal changes the <IR> framework and integrated reporting in general requires in order to see the fully expected outcome of the implementation of the framework. As IIRC (2016) themselves argue, the transition to the <IR> framework is complicated. After what has been noticed in this study, it will probably take a few more years before more distinguishing effects of the concept integrated reporting and the <IR> framework will be seen among the Swedish listed companies.

Another identified factor among the studied IR companies that can affect the number of disclosures of human capital is the length of the reports. The aim of integrated reporting and what IIRC explicitly states is the conduction of one clear and concise report (IIRC, 2013). Therefore the expectations might be that integrated reports would be shorter than traditional reports. Contradictory, in this study it can be seen that the reports are longer in the IR companies compared to the non-IR companies’ corporate reports. In line with what the interviewed respondents argued in Atkins and Maroun (2015), integrated reports with a length of more than 200 pages can make it difficult for companies to present only the most material information in an easy and understandable manner for the reader.

### 5.4 Distinguishing findings regarding human capital disclosures in the IR companies

Even though the IR companies at OMXS30 do not show any distinguishing results in number of disclosures in human capital information compared to the non-IR companies, the study shows other interesting results in what information the IR companies choose to disclose. In general the IR companies disclose more detailed and additional information compared to the non-IR companies. Particularly the <IR> reporting company Atlas Copco
disclose distinguishably more additional information than the other companies. According to Rimmel (2003) the detailed information about human capital increases the understanding of the company’s financial performance. For example, the IR companies’ additional disclosures regarding number of new employees hired within different divisions or retention rates by region can imply future expected employee costs within different parts of a company which can have an impact on the company’s future outlook. This is also in line with the aim of what integrated reporting and IIRC want to achieve with the new reporting framework. As IIRC states in their discussion paper from 2011, integrated reporting will give a deeper explanation of organizational performance and value-creation compared to traditional corporate reporting (IIRC, 2011). The IR companies at OMXS30 show a tendency to follow this approach by disclosing more detailed and additional information about human capital.

Another distinguishing finding in the study is the future-outlook focus in some of the additional disclosures in the IR companies. The results show that Atlas Copco, Boliden and AstraZeneca disclose information about future risks and risk management in the area of human capital. The same finding is made in the study by ACCA (2012). This might indicate that risks and risk management is a disclosure area that increases in importance when companies start to report according to integrated reporting. The findings are not surprising since the future-oriented focus are in line with the aim of integrated reporting (IIRC, 2011). Since the IR companies in this study focus on their ability to handle potential future risks, such as not attracting future key employees or maintain a safe workplace, the reader of the reports gets more information about future outlooks and risks compared to the information given in the non-IR companies. This show proof of that integrated reporting still affect the information given by the companies, even if only to a minor extent.

The results also show that there are indications of that IR companies have a tendency to have larger spread and disclose information throughout more pages in their reports compared to the non-IR companies. Especially Atlas Copco shows a distinguishing spread of the disclosures throughout many different sections in their report. As mention earlier, Atlas Copco is the only IR company who reports according to IIRC, which can have an affect on this results since the <IR> framework focuses on connecting the different capitals (IIRC, 2013) and therefore information needs to be included into more sections in
the report. The findings in this study can be supported by similar findings in the study by ACCA (2012) which shows that there are some evidence of that integrated reporting leads to more dispersed disclosures of human capital information even though the amount of information do not increases.

By analysing the results of what type of disclosure format the IR companies use to present its human capital information, no bigger differences can be seen between the IR companies and the non-IR companies. Villiers et al. (2014) highlight the importance of connecting material human capital information with other financial, social and environmental issues within integrated reporting. Therefore it may be expected that the IR companies should present more information in text since it is easier to connect different types of information in text than only in figures or tables. Also the amount of information given in both text and figures/tables may be expected to be higher in the IR companies since it is often difficult for the reader to get a deeper understanding of the organizational performance only through disclosing information in text or figures/tables.

5.5 The affect of company sectors on human capital disclosures in the IR companies

When examining the results in the study, differences in the number of human capital disclosures are seen particularly within the sector financial services but also in the industrials and healthcare sectors. One reason for this can be that the financial services sector comprises two industries. The nature of the company is a dependent factor of how companies disclose human capital to different extents which is also argued by Rimmel et al. (2009). Nordea, Swedbank, SEB and Sv. Handelsbanken are banks while Investor and Kinnevik are investment companies. The two industries differ a lot. The purpose with banks is to offer saving solutions and loans to their customers and therefore they are very dependent on their employees since they are taking care of the customer relations. On the other hand, in investment companies the purpose is to control other companies by owning shares in those companies and therefore they are not as dependent on their employees. Since human capital seems to be of larger internal importance in banks it is expected that they should report more in this area (Rimmel, 2003), which also the results in this study show. All banks take place in the top while the investment companies are at the bottom.
5.5.1 Materiality

As mentioned earlier almost all of the studied companies report according to GRI. One examination that can be made from the results is that most of the studied companies often report only on three or four of the disclosure items that regards human capital in the GRI framework. An explanation to this can be that one of the main purposes of GRI, integrated reporting and the <IR> framework are that companies should report only on the most material matters (GRI, 2013; Villiers et al., 2014; IIRC, 2013). The companies probably do not think that the other disclosures are as important for them to disclose as the chosen ones. For instance, it is natural that office-based companies like Swedbank and Tele2 do not report on health and safety matters of the reason that this is not material for them. In contrary, this area is material for the companies in the sectors industrials and basic materials like Atlas Copco and Boliden since it is more common with work-related accidents in these sectors. This kind of selection can sometimes lead to what is referred to as cherry picking which several researchers have criticized the GRI framework for (Milne & Gray, 2013; Moneva et al., 2006; Villiers et al., 2014). The companies that follow the GRI framework are free to report on what issues they want within the framework and thus, they are not forced to report on certain human capital matters. This can be seen in the studied IR companies at OMXS30. One example is that some companies do not disclose any information regarding collective bargaining agreements. An explanation to this may be that they do not have any collective bargaining agreements and not because it is not material for them. Even if they, in fact, would like to report on this issue it would look bad for them to report on it and thus, it would damage their legitimacy (Deegan & Unerman, 2011).

The results of this study show that the number of human capital disclosures do not vary distinguishably between the companies in different sectors but varies between companies within the same sectors. Möller et al. (2011) and Rimmel et al. (2009) conclude that high-tech companies report more human capital information than low-tech companies. A comparison in favour for these studies can be made between AstraZeneca and Getinge which belong to the same sector, healthcare. AstraZeneca can be categorized as a high-tech company whereas Getinge is a production (low-tech) company. When looking at the number of disclosures in both companies it is seen that the disclosures are 30% greater in AstraZeneca. What is also concluded by Möller et al. (2011) is that the telecommunication
and chemical sectors, like Tele2 and AstraZeneca, provide the most disclosures and companies in for instance the financial services sector, like Swedbank, provide the least human capital disclosures which is not the case when examining the results in this study. It is rather the contrary since Tele2 disclose very little information about human capital but Swedbank is one of the companies with the highest number of disclosures. In the financial services sector Nordea and Swedbank have the highest number of disclosures. Nordea reports more in the category “health & safety” than Swedbank while Swedbank reports more in the category “diversity & equality”. One reason for this can be that Swedbank is an IR company and follows the important principle of materiality to a greater extent than Nordea (Villiers et al., 2014; IIRC, 2013). The expectations are probably that it is more important to disclose information about “diversity & equality” than “health & safety” in a bank.

5.5.2 Legitimacy

It might be expected that sectors such as industrials and basic materials should disclose more information regarding “health & safety” and less information about “diversity & equality”. Men usually dominate these sectors. If too much focus is put in this area and disclosed to the stakeholders and society it might damage their legitimacy since the companies think that they will not accept this inequality. Therefore companies instead might choose to not disclose this type of information, which is also argued by Deegan and Unerman (2011). To disclose information about what the companies do to protect their employees when it comes to health and safety in these sectors would most likely help the companies to be perceived as legitimate by the society since Rimmel (2016) and van Bommel (2014) argues that when the expected standards are met, the company will be perceived as legitimate. However, as Deegan and Unerman (2011) and Rimmel (2016) argue, what is perceived as legitimate can vary between different sectors since the society have different expectations of how the company should act. This study does not show any proof of differences in type of disclosures between companies in different sectors. Generally the industrials sector does not disclose more information in the category “health & safety” compared to the financial services sector. For example Atlas Copco and Nordea, with the highest number of disclosures, show nearly the same percentage of disclosures in this category. On the other hand, it is a big difference in the percentage of disclosures
between Swedbank and Nordea, which are in the same sector. Swedbank disclose 8% of their items in the category “health & safety” while Nordea disclose 21%.

What can also be expected based on the arguments that legitimacy can vary between sectors (Deegan & Unerman, 2011) is that the sectors financial services and communication services should report more on “diversity & equality” and “training & education”. The reason is that these sectors are usually more equal when it comes to gender distribution and that the employees are in need for more education since most of these companies are knowledge-based. By disclosing more information in these categories would probably shape the legitimacy for these companies, in accordance with Rimmel (2016) and van Bommel (2014). When looking at the results in this study the above assumptions are difficult to confirm. The amount of disclosures in the discussed categories differs and minor similarities can be seen within the sectors. Contradictory to what can be assumed, Atlas Copco and Boliden are disclosing a higher percentage in the category “training & education” compared to Swedbank.

Considering that AstraZeneca is a research-intensive company it can be expected that their disclosures in the category “training & education” would be quite high. The results in this study do not show any indices of this fact. When comparing AstraZeneca with the other companies at OMXS30 the percentage in this category is relatively low. One explanation might be that they instead are putting effort in disclosing information in other sustainability categories where they feel that they have a higher pressure and more bounded limits and standards to adapt to be perceived as legitimate in accordance with Rimmel’s (2016) arguments. Since they are using chemicals that are harmful for the environment in their production of medicines they might put more effort in disclosing information regarding environmental matters to shape their legitimacy.

5.6 The affect of company size on human capital disclosures in IR companies

Based on previous studies, it is expected that it should be a correlation between the two variables company size and number of human capital disclosures – the larger a company is the more human capital information it is expected that they should disclose (Möller et al.,
2011; Unerman & Bennett, 2004). This can be compared to the results in this study. In contrary to Möller et al. (2011) and Unerman and Bennett (2004), it can be seen that the company size has no impact on the number of disclosures in the IR companies at OMXS30. One example that shows proof of this is the difference in company size and number of disclosures in AstraZeneca and Swedbank. AstraZeneca is four times bigger than Swedbank but has only 25 disclosures compared to Swedbank’s 40 disclosures. Another example is SKF and Atlas Copco, which are in the same sector. On the other hand, in the study made by Rimmel et al. (2009), which shows the contradictory that the size of companies has no meaningful impact on the extent of disclosures, are in line with the results in this study. Boliden and Tele2 have relatively few employees compared to the other IR companies. When comparing the number of disclosures in the smallest company Boliden with the biggest company AstraZeneca this statement becomes clear. AstraZeneca is twelve times bigger than Boliden but the companies have quite the same number of human capital disclosures.
6 Conclusions & Discussion

This final chapter repeats the research questions for this study and presents the conclusions that have been drawn from the empirical results and analysis that answers the stated questions. Furthermore, the chapter continues with a discussion of the conclusions together with the authors’ own thoughts and reflections of the results. The chapter ends with a discussion of the societal and ethical effects of the study and suggestions for further research in the studied field.

6.1 Conclusions

How do listed companies disclose human capital information?

After analysing the results regarding human capital disclosures in the studied companies at OMXS30 it can be concluded that human capital seems to be a subject that the companies report relatively little information about. Almost all companies show a low number of disclosures in relation to the total number of disclosures in the disclosure scoreboard.

How do human capital disclosures in integrated reporting companies differ from companies that do not report according to integrated reporting?

The IR companies do not differ when it comes to number of human capital disclosures compared to the non-IR companies. In other words, it can be concluded that the IR companies do not disclose more information about human capital than the non-IR companies at OMXS30. However, the results and analysis indicate that there are differences between IR companies and non-IR companies that are consistent with the aim of integrated reporting. It can be concluded that IR companies have a more future-oriented focus and disclose more detailed additional information, which give a deeper explanation of the human capital disclosures. The analysis also shows that the human capital disclosures are more dispersed throughout the reports in the IR companies compared to the non-IR companies.
Do the factors company sector and company size affect the amount and type of human capital disclosures in integrated reporting companies?

The analysis of the results regarding if human capital disclosures in the IR companies are affected by company sector show that there are a great spread in the amount and type of disclosures between the companies. Large differences can be seen among the companies within the same sector but similarities can be noticed when comparing companies that belong to different sectors. The results show that there are no differences in which human capital categories the companies choose to disclose information about depending on company sector. It can therefore be concluded that the factor company sectors have no greater impacts on the amount and type of human capital disclosures in the IR companies at OMXS30. The analysis of the results regarding if there are any correlation between company size and number of disclosures in the IR companies show that one of the smallest companies have one of the highest number of disclosures compared to the largest company that shows a lower number of disclosures. It can therefore be concluded that the factor company size have no greater affects of the amount of human capital disclosures in the IR companies at OMXS30.

6.2 Discussion

This thesis work has been interesting and rewarding as master students in our final year of studies. Before the work-process started we were introduced to the topic integrated reporting in one of the last studied courses. As we only had a minor knowledge about the topic we found it very interesting to go further with a deeper study. It has been exciting to examine the field of integrated reporting since it is a fairly new concept and it is commonly talked about within the accounting area. Especially through the literature review we found that it is a lot of articles and other papers with discussions about the concept of integrated reporting.

Since our perception of the read articles made us think that integrated reporting would result in apparent differences in the reporting and thereof the human capital disclosures compared to traditional reporting our expectations of the results of this study were quite high. We thought that we would see larger differences in the amount of human capital
disclosures between the IR companies and non-IR companies because previous studies indicated increases of human capital disclosures since the introduction of integrated reporting.

It must be taken into account that we have only studied 29 companies whereof only 6 of them are reporting according to integrated reporting. This small sample of IR companies can have affected that the results of human capital disclosures did not show as significantly increases in amount compared to previous studies. As mentioned earlier, integrated reporting is a fairly new concept and we think that the stated critics about the implementation can be justified. We argue, together with some of the critics, that integrated reporting is a quite fuzzy concept that seems to require a lot from the companies themselves since there is a lack of clear guidance on how to use and implement the new reporting concept. More than just combining the annual report with the sustainability report is required. One example is internal reorganizations of the information-flow between different divisions in a company. This process can take time and therefore it might postpone the effects integrated reporting aims to contribute with. As the studied IR company Swedbank expresses, their 2014 annual report is its first integrated version. In regards to what has previously been discussed we might have to wait a few more years before we can see the affect of integrated reporting in this company.

Another thing to take into account is that our study does not show the whole picture of how integrated reporting is affecting the companies’ reporting. We have only investigated how much and what type of human capital information that is disclosed in the reports. Through our study we cannot conclude how integrated the disclosed information is with other information in the reports. It can be the case that even if the companies disclose little information about human capital the information can still be integrated with other information which in that case would fulfil one of the main ideas with integrated reporting. However, to examine how integrated human capital disclosures are with other capitals would be very subjective since it is hard to know exactly what integrated means in this context.

In this study our purpose was only to examine human capital within integrated reporting. Since our conclusions only build upon results from the companies’ human capital
disclosures the study might end up with a different conclusion if some of the other capitals, for example environmental, would have been investigated. Therefore our conclusions cannot be seen as applicable to the whole concept of integrated reporting among companies at OMXS30.

Finally, even though the conclusion is that integrated reporting do not result in more information about human capital some other interesting findings in this study show that the concept of integrated reporting still affects the reporting. Even if it is only to a minor extent it is a step in the right direction towards the aim of integrated reporting.

6.3 Societal and ethical effects of the study

The conclusions that can be drawn from the results in this study give indications of that there are generally little information disclosed regarding human capital in the corporate reports. What needs to be highlighted in accordance to this is the importance for companies to take care of their employees and make sure that they have good working conditions. Employees can no longer be treated as expenses only. Employees are today one of the most valuable assets in a company and therefore more focus should be put in this area. Particularly when it comes to diversity and equality since today’s society tend to distinguish between men and women and ethical backgrounds. It is important for companies to stress diversity and equality because it can affect the approach to this type of questions within the society and the business world. Through highlighting disclosures within this important subject in the corporate reports, companies can be seen as role models contributing to a change in the old perceptions of how to treat people. The concept of integrated reporting tries to improve and make the area of human capital more inclusive compared to the traditional reporting. Even though this study cannot show evidence of that integrated reporting leads to more information about human capital, it contributes to findings for a step in the right direction by changing the way information is disclosed by having a more future-oriented focus and detailed approach towards human capital disclosures in corporate reports.
6.4 Suggestions for further research

- Since this study draws the conclusions that either reporting framework, company sector or company size are affecting the amount of human capital disclosures in the IR companies at OMXS30 we think that it would be interesting to conduct a more comprehensive study that examines if other factors can be found that affect the human capital disclosures in IR companies. This to get a deeper understanding regarding how companies reason when it comes to choosing what information to disclose in the integrated reports.

- It would be interesting to conduct a similar study among the OMXS30 companies but instead target one or several of the other capitals, for example environmental or social/relational, to see if those results differentiates from the results in this study. Regardless of the outcome of this type of comparative study, it would contribute to a more holistic view and deeper understanding regarding if and how integrated reporting affects the companies' reports.

- In the process of implementing the concept of integrated reporting in a company, it seems to be required more internal work than just conducting an external integrated report. We think it would be interesting to conduct a case study among one or several companies that are in the early phase of integrated reporting to examine what is required to succeed with the implementation and to fulfil the aim of integrated reporting. It would also be possible to examine pros and cons that the companies experience and set this in comparison with the critics of integrated reporting.
References


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<th>Sust. report</th>
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<td>Return to work/maintenance of personal leave</td>
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Appendix I – Disclosure scoreboard coding file
### EMPLOYMENT

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<td>Hours of training per year per employee</td>
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<td>Breakdown of employees (e.g., by age group, minority groups etc.)</td>
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