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The International <IR> Framework's impact on the social and relationship disclosures in the healthcare industry

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Abstract

Background and Problem: The altering business world and the growing requests from stakeholders have resulted in the establishment of new reports. These are among others Sustainability reports and Integrated Reporting**.** On the contrary, traditional financial reports do not consider the significance of intangible assets in modern entities. The social and relationship capital has further shown to be important for firms, especially healthcare companies and pharmaceuticals, but is not as developed as other capitals within the <IR> framework and therefore not always included in annual reports. However too few disclosures within this area could lead to high liabilities. The IIRC launched the <IR> framework year 2013 as a solution, as it gives a more comprehensive view of the reporting entity. Within this framework there are six capitals: manufactured, human, financial, natural, intellectual and social and relationship.

Purpose: The purpose of this thesis is to find out how the International <IR> Framework has influenced the reporting of the social and relationship disclosures within the healthcare industry, to compare the reporting of the six medical firms chosen and to examine how the social concerns have been developed over time.

Delimitations: This study is conducted over a period of three years, from year 2012 to year 2014. It only examines healthcare companies which use the International <IR> framework and it has solely focus on the social and relationship capital. All other capitals within the <IR> framework are excluded from the study.

Method: This study has a qualitative research strategy and is based on information collected from published documents in form of annual reports. The annual reports from year 2010, 2011 and 2012 are used to find social and relationship disclosures and a disclosure scoreboard is used to find similarities, differences and patterns.

Empirical Results and Conclusion: It has been found that the aggregated social and relationship disclosures have been reduced over time. The year followed by the release of the <IR> framework was seen to have the least disclosures and therefore conclusion was drawn that the <IR> framework had a negative influence on the social and relationship disclosures. There were also differences among the companies studied both in extent and content. The former could be linked to factors such as size and nationality and the latter could be linked to reputation preservation and legitimacy interests.

Definitions

Non-financial information

Publication of information that entities disclose besides the information legally required by standards. It is all quantitative and qualitative data excluded from the financial statements.

Integrated reporting

Combines both non-financial information such as governance, prospects, organizational strategy and performance but also financial information. This data is provided as one concise report to give a more comprehensive view of the entity in the short, medium and long term.

<IR>

This concept consists of the entire process and other communications related to the value creation process. It also includes the integrated report. All communications are founded on integrated thinking. Integrated reporting is abbreviated <IR>.

International Integrated Reporting Council

Is abbreviated as IIRC in this thesis and refers to a global association consisting of companies, regulators, standard setters, investors, Non-Governmental Organizations and the accounting profession.

Capitals

In the International Integrated Reporting Framework the capitals are referred to manufactured, human, natural, intellectual, financial and social and relationship. These are stocks of value that are reduced, increased or changed by firm outputs and organizational activities.

Social and Relationship

This is one of the capitals in the <IR> framework and includes shared values and norms, reputation, accountability, trust and the firm’s social license to operate among others. It refers to the internal relationships within and between the firm but also external relations with stakeholders and other networks. The concept is also about sharing of information with the intention to create and improve individual and collective well-being.

Table of Contents

Figures

1. Introduction

This first chapter starts with an outline of the background information relevant for the thesis study. Thereafter the problem discussion is presented along with an explanation to why the topic is interesting to research. Hence the research question, purpose and delimitations are described.

1.1 Background

Financial reporting is used by many companies all over the world and it has existed for several decades (Lodhia, 2015). This kind of reporting is compulsory and harshly regulated and it is based on International Financial Reporting Standards (Eccles and Krzus, 2010). It is seen as the most valuable corporate report when it comes to firm valuation (Epstein and Pava, 1993). However the economic environment has been changed as a consequence of resource scarcity, social pressures and globalization (Cheney, 2013) and the corporate trust has been influenced by the financial crisis and other scandals (Lodhia, 2015).

Due to the changing business environment and the increasing demand from shareholders and other stakeholders, new phenomena have been introduced to meet these demands. These are among others Sustainability reports, Global Reporting Initiatives and Integrated Reporting (Fasan, 2013). These reports reveal more information about the firm besides figures and numbers, since they contain non-financial disclosures as well (Fasan, 2013).

Additionally, the importance of non-financial information has grown lately (IIRC, 2011). There are a lot of studies that have investigated this, examples of researchers are among others Amir and Lev (1996) and Trueman, Wong and Zhang (2001). In the study by Amir and Lev (1996) the value relevance of voluntary disclosures compared to that of financial data has been examined. Companies worldwide have a huge interest in providing non-financial information, even though that kind of information is not mandatory. The reason is that disclosures within the social and environmental areas are seen to contribute to higher credibility and approval by main markets (Centre for Strategy and Evaluation Services, 2011).

Reporting in terms of environmental and social issues has been developed lately, where sustainability has been more and more important (Lodhia, 2015). Year 2010 the use of sustainability reports expanded and there were over 3000 entities publishing these reports (Lydenberg, Rogers and Wood, 2010). On the contrary, the growing interest of environmental and social disclosures resulted in longer and less comprehendible reports (de Villiers, Rinaldi and Unerman, 2014). The changing business environment made their ethical reporting insufficient (Lodhia, 2015; Cheney, 2013), since organizations no longer had a duty to create only shareholder value. They also had ethical commitment to lots of stakeholders based on their social, environmental and economic liabilities (Brown and Forster, 2013).

Due to the new reporting requirements and the changed commitments, financial disclosures had to be combined with non-financial disclosures. Therefore integrated reporting has become the new reporting technique for both mandatory and voluntary disclosures (IIRC, 2011; Eccles, Cheng and Saltzman, 2010). Moreover a survey by ACCA (2013) also showed the importance of the new reporting technique. It found that investors were dissatisfied with the non-financial information provided in the present forms of corporate reporting, such as sustainability reports. The reason was a weak correlation between non-financial disclosures and business strategies (ACCA, 2013).

Furthermore, integrated reporting has been more influential since the development of the International Integrated Reporting Committee later known as International Integrated Reporting Council (Cheng, Green, Conradie, Konishi and Romi, 2014). The International Integrated Reporting Council, abbreviated IIRC was founded year 2010 to make the new way of reporting globally harmonized (IIRC, 2016a). This organization offers support on integrated reporting and consists of entities, standard setters, regulators, Non-Governmental Organizations (NGOs), investors and accounting professions. Their main objective, thus the mission is to unite both integrated thinking and reporting within the private and public areas in their ordinary business activities (IIRC, 2016a).

To fulfil this mission and encourage integrated reporting, the IIRC introduced the <IR> Pilot Programme (IIRC, 2013a), as a first step in the evolution of the framework called the International Integrated Reporting Framework (IIRC, 2013b). Simnett and Huggins (2015) state that the International <IR> Framework differs from both standalone sustainability reporting and traditional financial reporting. It namely considers intangibles and value creation and therefore meets the requirements of business today. Despite an increasing interest in integrated reporting, the research about this phenomenon is scant and more research is desired (Lodhia, 2015). Although there are some articles and papers about the concept, it is still in a development phase (Eccles and Saltzman, 2011).

1.2 Problem Discussion

Traditional financial reports do not address the importance of intangible assets in modern companies (IIRC, 2013b). These statements are supported by both the IIRC (2011) and Cheney (2013). According to the IIRC (2011) only 19 percent of the market value consists of financial and physical assets nowadays compared to 83 percent in 1975. The remaining 81 percent comprises of intangibles, the important asset that traditional financial reports inadequately provide information about. Cheney (2013) further argues that investors might face a higher risk today compared to the past. The reason is that it is difficult to find comprehensive and objective information about the value of the remaining 81 percent within the traditional way of reporting. This in turn may lead to organizations facing difficulties in obtaining capital as a result of the increasing risk for the investors (Cheney, 2013).

Moreover even though the social and relationship capital has shown to be significant for businesses and especially for pharmaceuticals and other medical service firms, the reporting regarding social issues has shown to be less developed than financial and manufactured capital and has not been a commonly reported area by firms (Simnett and Huggins, 2015). It is also excluded from financial statements and balance sheets, but lack of this asset might result in huge liabilities (Lopez, Rick and Streubel, 2012). The difficulty to measure this capital due to abstract constructs and subjective interpretations could be a reason for the low disclosures of social and relationship information (Grootaert and van Bastelaer, 2001; Durlauf, 2002).

The solution to this problem could be to apply <IR> as claimed by IIRC (2011). This concept helps companies produce an integrated report which provides information about how organizational prospects, governance, strategy and also performance contribute to the value creation over time, in the context of the external environment (IIRC, 2013b).

This kind of reporting gives a more holistic view of the firm, regarding future objectives and links between CSR and financial performance (Jensen and Berg, 2012). It combines financial and non-financial information to get a clearer view of the value creation of the firm (Eccles and Krzus, 2010). Therefore it is expected to be the corporate reporting norm in the future (IIRC, 2013b). In the study by ACCA (2013) the importance of <IR> is supported. They found that this way of reporting would contribute to better understanding of all capitals included in businesses and not only the financial one.

Within the International <IR> Framework there are six capitals; manufactured, intellectual, financial, natural, human and social and relationship. Social and relationship capital has been defined by many authors (Putman, 1993; Coleman, 1988) but is described in the framework as '*the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.*' *(*IIRC, 2013b, p.12*).* This form of capital includes shared behavior, norms and values, reputation, intangibles associated with brands as well as trust and key relationships with stakeholders (IIRC, 2013b).

In accordance with Martin and Bravo (2015) social disclosures are essential from the human rights perspective, as it addresses the stakeholders of the reporting entity, including the firm's social license to operate. Organizational social capital is recognized as a valuable source for firm networks, especially regarding innovation possibilities and renewal of intellectual capital (Nahapiet and Ghosal, 1998). When building network relationships, firms may also strengthen their competitive advantages (Burt, 2000). It further helps organizations preserve their corporate reputation and identity (Hooghiemstra, 2000).

Moreover, there has been an increase in the number of knowledge-based firms lately (Domínguez, 2012) and social and relationship capital has been found to play a major role in these organizations (Powell, Koput and Smith-Doerr, 1996). Pharmaceuticals and other medical firms are included in the knowledge-intensive area, since knowledge contributes to stronger competitive advantage (Powell *et al.* 1996). Reporting on social capital is seen to be effective when developing organizational knowledge, due to trust and cooperation among the employees (Aghamirzaee, Tabari and Paydar, 2014). It also makes it easier to transfer knowledge within and outside the firm (Powell *et al.* 1996).

Since this capital is important for the learning and knowledge processes, managers often use this in management to ensure that organizational objectives are fulfilled (Aghamirzaee *et al.* 2014). This asset is also significant within this sector, as these companies are based on public harmony and have therefore a major societal impact (Frost and Seamer, 2002).

Furthermore, researchers state that actors could gain access to cultural, human and economic capital through social capital (Portes, 1998). Other scholars claim that this asset is the most enduring source of advantage, since it is connected to the strategy, development and the firm itself (Nahapiet and Ghoshal, 1998; Walker, 1998). It is not as mobile as human capital and it is not as easily alienable from the entity as financial capital (Nahapiet and Ghoshal, 1998). Armstrong (2001) supports this argument when claiming that social capital is more important for both the entity and the society than human and physical ones. Thereof, as stated by Granovetter (1992) this kind of capital is a valuable asset.

While there are many studies about the other capitals within the framework, there are only a few about social and relationship capital (Lodhia, 2015; Eccles and Saltzman, 2011) and no previous studies have shown the effect of <IR> regarding the corporate reporting of this important organizational asset within the healthcare industry. Lack of previous studies about this subject made us interested to write about this. Therefore our thesis study focuses on the important asset social and relationship capital. It examines how the International <IR> Framework, with the intention to improve the information quality given to providers of capital has influenced the healthcare industry and the social disclosures provided in the annual reports.

1.3 Research Questions

-How has the use of the International <IR> Framework influenced the social and relationship disclosures of companies within the medical care industry?

1.3.1 Sub-Question 1

- Which differences can be observed regarding the social and relationship information disclosed between the entities chosen?

1.3.2 Sub-Question 2

- How have the social and relationship concerns been developed in the annual reporting over time?

1.4 Purpose

The purpose of this thesis is therefore to find out how the International <IR> Framework has influenced the reporting of the social and relationship disclosures within the healthcare industry, to compare the reporting of the six medical firms chosen and to examine how the social concerns have been developed over time. The perspective of the study is from the view of shareholders and other stakeholders using annual reports.

1.5 Delimitations

The main focus of this study is on the effects of <IR> regarding the social and relationships disclosure within the healthcare sector. This means that the empirical findings of this thesis are limited to comprise medical entities applying the International <IR> Framework, which becomes the first delimitation. These firms are examined during a three-year period from year 2012 to year 2014, due to limited time frame and accessibility of coming annual reports, which becomes a second delimitation.

The scope has further been deliberately narrowed to the social and relationship capital, due to limited time frame and the risk for the study to be too broad. Therefore all other capitals besides social and relationship are excluded from the research as well as all companies operating in the medical industry, not applying the International <IR> Framework. This is the last delimitation.

2 Theoretical Framework

In this chapter social reporting is decsribed followed by a presentation of social reporting in the public sector. Hence an overview of Integrated Reporting is provided followed by a description of the IIRC, the <IR> Pilot Programme and the <IR>. Thereafter the theories associated with the field of study is explained as well as previous research of voluntary disclosures. The theoretical framework explains the underlying theories and is expected to provide a complete understanding of both the empirical findings and the conclusions. The purpose of the frame of reference is to design the study and to interpret findings.

2.1 Social Reporting and Previous Research

Social reporting indicates the connection between stakeholders and firm accountability. It is applied with the intention to improve transparency for stakeholders and to increase accountability and thereby create relationships between these stakeholders and the entity. It is also used in order to retain both reputation and corporate image (Guthrie and Parker, 1990).

This is supported by a range of main authors within this area. In Grahovar and Rimmel (2010) it is asserted that social reporting is a tool used by organizations to show that they take responsibility for their actions and thereby managing their reputation. In this article it is also stated that this concept is useful when accounting for social and environmental responsibilities (Grahovar and Rimmel, 2010). Additionally, in Fried, Holtzman and Mest (2014) it is claimed that social and relationship capital is significant for the long-term success of businesses in the eyes of managers. Madein and Sholihin (2015) further states that social reporting is important, since it can lead to improved reputation, increased consumer and employee loyalty, improved access to capital and increased long-term profitability.

Nonetheless, research within this field has increased lately, mainly as a result of an increased focus and engagement by professional accounting bodies and governments. There is also an expanding market for this type of disclosures according to Martin and Bravo (2015). Some authors studying this phenomenon are among others Deegan (2002), Collins and Clark (2003), Perry-Smith and Shalley (2003) and Edvinsson and Malone (1997). Previous studies have resulted in some valuable findings regarding social disclosures. In the study of Deegan (2002) it is shown that social disclosures help organizations legitimize certain aspects of their business activities. In the study conducted by Dhaliwal, Zhen Li, Tsang and Yang (2011) it is found that social disclosures is effective for the cost of equity capital.

Researchers examining the importance of social capital have further found that this capital is valuable for the conduct of social affairs (Nahapiet and Ghoshal, 1998) and for knowledge management (Tymon and Stumpf, 2003). Adler and Krwon (2002) have also seen a positive correlation between social capital and knowledge transfer in the firm. Others have come up with the conclusion that this form of capital is effective for firm performance, especially when the relations consist of highly competent people (Reed, Srinivasan and Doty, 2009; Collins and Clark, 2003; Edvinsson and Malone, 1997) and for creativity and the creation of knowledge (McFadyen and Cannella, 2004; Perry-Smith and Shalley, 2003).

2.1.1 Social Reporting and the Medical Industry

When examining previous studies of social reporting, it is evident that the focus remains on the private sector (Wilmshurst and Frost, 2000; Unerman, 2000). There is merely a few studies comprising this kind of reporting in the public sector (Cameron and Guthrie, 1993) and these empirical studies examine the social reporting in public colleges (Vagnoni, 2001). However since pharmaceutical firms and other healthcare companies are based on public harmony and have thereby a major impact on the society, social reporting plays a vital role in the public sector (Frost and Seamer, 2002). Due to this, organizational activities making social impacts have been included in accountability responsibilities for public organizations such as healthcare entities (Olson, Guthrie and Humphrey, 1998). The traditional way of reporting was namely seen as inadequate for fulfilling the new public accountability needs (Vagnoni, 2001).

2.1.2 The History of Social Reporting

Studies have shown that voluntary disclosures on social aspects have existed for many decades (Deegan and Unerman, 2011) and the practice to report on social matters has become extensive amongst entities since the mid of the 1990s (Buhr, 2007). Initially the majority of the annual non-financial reporting had a primary focus on employee relations as well as human resources, but as a consequence of politics and natural disasters this kind of reporting was transformed to social reporting (Soderstrom, 2013).

When started to apply social reporting, this form of disclosure was often an inclusive part of the annual financial report and the information provided were mainly practices, policies and impacts on the organization concerning social aspects (Deegan and Unerman, 2011). However later on, entities in the fore front of reporting started separating social and environmental reporting from financial statements. They created stand-alone sustainability reports that accompanied their annual financial reports. These have now in many cases become the standard approaches for many leading organizations (de Villiers *et al.* 2014).

Additionally, triple bottom-line reporting was later a further development within this field. It was established by John Elkington, the co-founder of the business consultancy Sustainability in the middle of the 1990s (Soderstrom, 2013). This kind of reporting is according to Elkington (1997) a report or reporting practice that provides information about everything from economic and environmental performance to social ones. In Elkington (1997) it is also claimed that all three features are vital for future market success and should therefore be included.

On the contrary, the development of reporting on social aspects has led to the recognition that these reports need to disclose a more integrated view of the organizations' sustainability as well as social, environmental and economic impacts (Deegan and Unerman, 2011). Managerial decisions are seen to not only affect the performance of one aspect such as the economical one. It rather interfaces with both indirect and direct social and economic performance of business activities (Deegan, 2002; Deegan and Unerman, 2011). Therefore discussions on the need for a single and concise document which integrates financial disclosures with sustainability disclosures evolved. A concept named Integrated Reporting (Eccles, Cheng and Saltzman, 2010).

2.2 Integrated Reporting

Integrated reporting has been defined in lots of different literature. The IIRC (2011) describes the concept as '*Integrated Reporting brings together the material information about an organization's strategy, governance, performance and prospects in a way that* *reflects the commercial, social and environmental context within which it operates.*' (IIRC, 2011, p.3). ICGN (2015) on the other hand says that '*integrated reporting is a process founded on joined-up thinking that results in a periodic integrated report by an organization about how its strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value in the short, medium and long term.*' (ICGN, 2015, p.12). An integrated report should merely include relevant and material disclosures that the entities are willing to share with their shareholders and other stakeholders (IIRC, 2013b).

Furthermore, Jensen and Berg (2012) claim that this kind of reporting gives a more holistic view of the entity regarding future objectives and links between CSR and financial performance, since it comprises one single report. Additionally, Eccles and Krzus (2010) assert that this concept indicates the connection between non-financial and financial performance and how these destroy or increase value for various stakeholders. They further claim that this way of reporting is a symbolic representation of the commitment to sustainability showing by the entity and are thereby a turning point for the corporate environment (Eccles and Krzus, 2010).

However another benefit of the new phenomenon is that it is possible to disclose the consequences of decision making both in the short and long run. The traditional annual reports only provide a short-run perspective of corporate performance and other aspects whereas the integrated reports give a more medium and long-term perspective (Jensen and Berg, 2012; ICGN, 2015).

2.2.1 The Development of Integrated Reporting

Integrated reporting originates from South Africa and was initiated in the King Code of Governance for South Africa (IoDSA, 2009) as a result of an interview with Mervin King, the chairperson of the King Committee (Visser, Matten, Pohl and Tolhurst, 2010). During this meeting he claimed that the King II report was incorrect, because it treated sustainability as a single part of the report (Visser *et al.* 2010). Furthermore in spring 2010 all entities listed on the Johannesburg Stock Exchange had to comply with the King III Report and thereby apply integrated reporting as part of their annual reporting (Hoffman, 2012; Solomon and Maroun, 2012). However for all other entities this concept was and is still applied on a voluntary basis (Hoffman, 2012).

According to CGMA (2014) the new way of reporting has been developed as an answer to the changed information needs of decision makers nowadays. Cheney (2013) supports this statement when saying that traditional annual reports are insufficient as a consequence of the drastic changes in terms of resource scarcity and social pressures during past decades. Since the business environment has changed, the reporting also has to be different, in order to keep the pace. Otherwise the reporting becomes inadequate (Eccles and Serafeim, 2011). Due to this the new phenomenon named Integrated Reporting has started focus more on non-financial future oriented disclosure rather than historical ones (Owen, 2013).

Moreover, Eccles and Krzus (2010) believe that one single report comprising both the mandatory financial statements but also non-financial disclosures in terms of environmental responsibility actions, corporate strategies and social capital is the cornerstone for a responsible and sustainable community. It is also a starting point for solving the issues of global warming and financial instability (Eccles and Krzus, 2010).

2.2.2 Integrated Reporting and the Medical Industry

One of the pioneers regarding integrated reporting is the Danish pharmaceutical company Novo Nordisk (de Villiers *et al.* 2014). According to Muga and Thomas (2013) this medical service entity is the leader in this kind of reporting worldwide and has been at the top of the healthcare industry list. This firm has been producing integrated reports since year 2003 and they implemented the new reporting as a means of making the organization focus on best practice sustainability and to develop a culture of integration in management (Muga and Thomas, 2013; de Villiers *et al.* 2014).

One of the reasons for being the leader globally is that their strategy is based on the information needs of stakeholders as well as the triple bottom line-principle initiated by Elkington (de Villiers *et al.* 2014). Furthermore, the social disclosures have been provided by applying the sustainability reporting guidelines of the Global Reporting Initiative (Muga and Thomas, 2013). With the intention to share best practices and to come up with new standards, cooperation with both the IIRC and the Global Reporting Initiative has been taken place (Muga and Thomas, 2013).

2.3 The IIRC

The IIRC is an abbreviation of the International Integrated Reporting Council and this organization was established by the Global Reporting Initiatives, the International Federation of Accountants and the Prince's Accounting for Sustainability Project year 2010 (Business and the Environment, 2011). This global association consists of entities, regulators, standard setters, investors, NGOs and accounting professions (IIRC, 2016a).

According to the IIRC (2016a) their vision is to align corporate behavior and capital allocation to wider goals of sustainable development and financial stability through the implementation of integrated thinking and reporting. Furthermore the IIRC (2016a) also states that their mission is to establish integrated thinking and reporting as the norm within mainstream business practice.

Moreover, since all members believe that it is important for entities to report how to create value they cooperated and created a framework with the intention to make the new way of reporting universally accepted and then also remedy the drawbacks of current corporate reporting. This framework was later named International Integrated Reporting Framework (IIRC, 2016a). The discussion paper published in September year 2011 by the IIRC was the fundamental document for the establishment of the globally accepted integrated reporting framework (IIRC, 2011).

2.3.1 The <IR> Pilot Programme

After the publishing of the discussion paper the IIRC introduced the <IR> Pilot Programme with the aim of helping companies apply integrated reporting and to be an innovation hub for the framework (IIRC, 2013a). The programme is divided in two categories. One is named Business Network and the other is called Investors Network. The former includes eighty entities from both public sectors and multinationals whereas the latter represent thirty international institutional investors (IIRC, 2013a). At that time 75 entities participated in this programme and these represented different sectors from 23 nations.

Moreover, two of the participating firms were Novo Nordisk and Takeda (IIRC, 2013a). With use of this concept, the International Integrated Reporting Framework could be based on market as well as business experience and the information given to shareholders could be more pertinent (IIRC, 2012). However although this programme was only effective for a few years, from year 2011 to 2014 it played a major role for the establishment of the <IR> framework (IIRC, 2012).

2.3.2 The International Integrated Reporting Framework

The International Integrated Reporting Framework is based on integrated thinking and the intention of this framework is to provide guidance on how to report organizational value created over time (IIRC, 2011). Additionally, it also helps companies report in a way which makes it easier to accommodate complexity and to reduce the disconnected and static communications, by combining the jurisdictions' requirements of reporting (IIRC, 2011; IIRC, 2013b). It is principle-based and has no clear guidance (IIRC, 2013b).

With reference to Soyka (2013) this framework is used to correct market failures but also information gaps and thereby help fulfil the mission and objectives of the IIRC. When applying this framework it namely becomes easier for stakeholders to compare different firms in terms of sustainability (IIRC, 2012).

Furthermore, since financial information is inadequate, disclosure regarding social issues, environment and sustainability is needed (Eccles and Krzus, 2010). An integrated report makes it possible to disclose this kind of information (Lodhia, 2015). According to UNGC (2010) the new framework is a means for giving stakeholders better information and not to make the reporting longer or more complex. This supports the idea of IIRC, since the latter asserts that most of the shareholders want better instead of more information (IIRC, 2013b). However IIRC (2013b) further argues that it might be difficult to change from one report to another.

In the framework there are six capitals, five guiding principles and six content elements (IIRC, 2013b). These are the cornerstones of integrated reporting (IIRC, 2011). The six capitals are manufactured, intellectual, human, social and relationship, natural and financial. They are described as '*stocks of value that are increased, decreased or transformed through the activities and outputs of the organization.'* (IIRC, 2013b, p.4). The framework provides an understanding of the capitals in form of relationships and resources used by and within the organization as well as those affected by the actions of the organization (IIRC, 2013b; IIRC, 2011).

However even though these capitals are useful to give a more comprehensive view of firm performance, there is no requirement of adopting or structuring the categories in a certain way. Firms might categorize them differently (IIRC, 2013b). In the framework it is also stated that they are intended to be used in the private sector by profit-organizations (IIRC, 2013b; IIRC, 2011).

This thesis study is based on the social and relationship capital only. In the framework it is defined as '*the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.' (*IIRC, 2013b, p.12*).* This form of capital includes among others shared behavior, norms and values, reputation, intangibles associated with brands as well as trust and key relationships with stakeholders (IIRC, 2013b).

Moreover, the framework also includes guiding principles and content elements as stated previously. The five principles are future orientation, responsiveness and stakeholder inclusiveness, strategic focus, conciseness, reliability and materiality and also connectivity of information whereas the elements included are strategic objectives and strategies to achieve those objectives, performance, future outlook, organizational overview and business model, governance and remuneration and also operating context, including risks and opportunities (IIRC, 2011).

In order to develop and integrated report, the principles mentioned should interrelate with the six elements and these elements should in their turn be connected to one another (IIRC, 2011). When reporting in accordance with this framework in terms of capitals, principles and elements the needs of the 21st century are met. Therefore it is expected to be the corporate reporting norm in the future (IIRC, 2013b) and Eccles and Krzus (2010) say that this framework will result in more non-financial information within the reports. However Lodhia (2015) and Cheng *et al.* (2014) believe that the disclosures might not increase, since the framework is not fully developed. Cheng *et al.* (2014) further state that the concept could not contribute to more disclosures, due to its subjectivity.

2.4 Voluntary Disclosures

In the field of accounting disclosures is about making information available by combining descriptions with reports such as sustainability reports and annual reports (Rimmel, 2016). Rimmel (2016) states that the disclosure theory in combination with other relevant theories regarding motivation show the correlation between incentives by managers and corporate disclosure needs. Companies often choose to include information about favorable aspects only (Arvidsson, 2011) and they tend to publish more favorable news than the opposite (Deegan and Rankin, 1996).

If disclosing too much information there is namely a risk for the stakeholders to miss the important information and rather focus on immaterial and unessential information (Cook and Sutton, 1995). There is also a risk that competitors benefit from the information disclosed (Buzby, 1975). Additionally, larger firms seem to have more disclosures than smaller firms, due to the cost of collecting and publishing the information required and the lack of resources for the latter (Buzby, 1975).

On the contrary, in the study by Firth (1979) it is stated that firms often provide more voluntary disclosures with the intention to preserve the corporate reputation. Purwanti and Kurniawan (2013) further claim that entities should make all the information required by investors available and Rimmel (2016) argues that the intention is to provide as much information as the users demand and if revealing too little information investment decisions might be obstructed. The more voluntary disclosure provided, the less risk of information asymmetry and when the information asymmetry is reduced, the quality of the reporting is improved (Adrem, 1999). Information asymmetry could namely aggravate the functioning of the capital market (Healy and Palepu, 2001).

Additionally one effect of the improved disclosures and reduction in information asymmetry is that investors' confidence and trust are increased which will lead to an increased inflow of capital and corresponding lower cost of capital (Simnett and Huggins, 2015). This type of disclosures has a greater impact on the share price than the information contained in the financial statements (Amir and Lev, 1996) and this information can lead to higher liquidity in a firm's shares (Leuz and Wysocki, 2008). Therefore voluntary disclosures in form of social disclosures among others will benefit the organization in the long run (Simnett and Huggins, 2015).

2.5 Prior Disclosure Research

Several investigators have made attempts to construct ways of measuring different aspects of disclosures in annual reports (Depoers, 2000). A common way to measure voluntary and mandatory information but also social disclosures is to use disclosure scoreboards (Rimmel, 2003; Botosan, 1997; Chen and Jaggi, 2000; Williams, 1999). According to Rimmel (2003) the use of these scoreboards originates from a study by Cerf (1961) who developed an index to measure the level of disclosures in financial reports of companies in the US. Since then many other researchers have used this tool as well (Rimmel, 2003).

Some studies have found a relationship between industry and the disclosed information (Cooke, 1992) while other researchers have seen no correlation at all (Meek, Roberts and Gray, 1995). Moreover in the study by Cooke (1991) it was also concluded that Japanese firms often have a resisted and conservative attitude towards disclosing too much information. Robb, Single and Zarzeski (2001) further found that greater firms present more historical and forward-looking non-financial information than smaller ones.

2.5.1 Size

When it comes to size, some researchers have come up with the conclusion that firm size positively affects the extent of information disclosed (Hossain and Reaz, 2007; Depoers, 2000; Chow and Wong-Boren, 1987) whereas others have not been able to identify this relationship (Prencipe, 2004; Rimmel, Nielsen and Yosano, 2009). Studies such as Hackston and Milne (1996), Patten (1995) and Jaggi and Low (2000) have also found a positive correlation between social disclosures and size of firms. Additionally Cowen, Ferreri and Parker (1987) showed the importance of the nature of non-financial information disclosed and firm size over all.

Furthermore there has also been research of Japanese firms. Cooke (1991) for instance has made studies about the voluntary disclosures of Japanese entities listed on the Tokyo Stock Exchange. He has found that size, type of listing and industry type have significant influence on the amount of voluntary information provided.

2.5.2 Nationality

Regarding nationality, Meek, Roberts and Gray (1995) found that continental European entities as well as British ones disclosure more voluntary information compared to American entities and Arvidsson (2003) made findings that larger firms and Swedish pharmaceutical firms disclose more intangibles than smaller entities and non-Swedish ones. Guthrie and Parker (1989) further claim that there are differences in both content and amount of social disclosures depending on nationality and Gamble, Hsu, Jackson and Tollerson (1996) support this argument. Moreover there is also found a positive relationship between extent of information disclosed and country of origin (Craven and Otsmani, 1999; Bozzolan, O´Regan and Ricceri, 2006; Bonsón and Escobar, 2002; Surakka, 2012).

2.6 Theories associated with the thesis study

2.6.1 Legitimacy Theory

Legitimacy theory assumes that firms are incessantly trying to make certain that their business activities are in line with societal norms and bounds (Deegan, 2000). To reach legitimacy entities normally provides information about how they deal with ethical, environmental and social concerns. Lack of this kind of information might totally destroy their legitimacy (Reverte, 2009), since transparency is essential for creating legitimacy (Deegan and Unerman, 2011). However what is legitimate or not depends on both place and time of firm operations (Deegan and Unerman, 2011).

According to Suchman (1995) this concept is seen as a belief that organizational actions are appropriate and desirable in terms of certain socially constructed system of beliefs, norms and values. The intention is to create conformity between norms of passable behavior in the society and the social values related to or implied by firm activities (Dowling and Pfeffer, 1975). Studies such as Cooper and Owen (2007), Laine (2009) and Etzion and Ferraro (2010) argue that companies seek to do the right thing from a societal perspective with the intention to establish legitimacy. Reverte (2009) further claims that factors like environmental impacts, media attention as well as firm size might influence the content and length of the sustainability reports. This statement is consistent with the argument made by Buzby (1975).

Moreover this theoretical approach is broadly used for giving an explanation regarding the insertion of social reporting practices by entities (Hopwood, 2009). It is also seen as the most unexceptional theory within this field as claimed by Campbell, Craven and Shrives (2003) and Reverte (2009).

2.6.2 Stakeholder Theory

The term stakeholder is referred to '*any group or individual who can affect or is affected by the achievement of the organization's objectives*' (Freeman, 1984, p.46). This theory consists of two branches named strategic and ethical. While the former is descriptive in nature and focusing on certain stakeholders depending on situation, the latter is about acting ethically and in the interest of all stakeholders, since they are worth equally to the business (Gray, Adams and Owen, 2014). Deegan and Unerman (2011) claim that it is not possible to consider all interests of various stakeholders and priorities are therefore needed.

However Wang and Berens (2015) on the other hand suggest that managers should address the interest of all stakeholders that is affected by the organization's operations instead of just focusing on the organization's shareholders. This is done by recognizing the different groups of stakeholders with a relationship to the organization, both internal and external (Freeman, 2010). Interest groups considered are among others employees, governmental bodies, financiers as well as society (Freeman and Reed, 1983). Different groups of stakeholders have different interests (Freeman, 2010) but there is no priority of certain interests compared to others (Wang and Berens, 2015).

Furthermore, managers merely focusing on maximizing firm value for shareholders and paying no attention to other stakeholders' interests are unlikely to be successful as claimed by Bird, Hall, Momente and Reggiani (2007). It might also be more expensive for entities to raise capital if not providing any information about sustainability concerns (Deegan and Unerman, 2011).

The Stakeholder theory together with the Legitimacy theory is often used to explain the motivations for voluntary disclosures in form of social disclosures. The former describes social disclosures as part of a legitimation process whereas the latter connects the concept to accountability (van der Laan, 2009) and as stated by Grahovar and Rimmel (2010) social disclosures can be linked to both theoretical approaches mentioned as well as other theories often applied in this field.

3 Method

This chapter starts with a description of the methods used followed by the company and year selections. Hence sample techniques and reasonable sample sizes are presented. Thereafter a presentation of the chosen data collection methods and study design is provided, including the disclosure scoreboard. The chapter ends with quality assessment as well as motivations for the chosen methods.

3.1 Research approach

The purpose with this thesis was to examine how the <IR> framework affected the disclosed social and relationship information within the medical service sector, to make a comparison of the reporting made by the companies chosen and to find out how the social concerns were enhanced over time. To fulfil this purpose a qualitative study was chosen including some quantitative features and the annual reports of six medical firms reporting according to <IR> were examined and evaluated. These reports were examined over a three-year period from year 2012 to year 2014 with the intention to find similarities, differences and patterns with the social and relationship disclosures. To collect and present the empirical findings a self-made disclosure scoreboard was created containing relevant aspects only. This scoreboard is described in more detail in figure 1.

Furthermore, this thesis had an inductive approach, since qualitative enquiries have usually an inductive character according to Hyde (2000). Those studies start with specific observations and they try to create generalizations from the findings (Hyde, 2000) and this thesis had similar semblance. By providing a description of the reality and then also the changes occurred between year 2012 and 2014, the thesis got a descriptive approach. It was also descriptive with reference to the purpose, since the aim was to describe how the disclosures were affected and what differences could be observed between the various companies.

Finally this study was designed as a longitudinal study, because the observations were collected over a time period of three years. The data was also collected repeatedly of the same subjects (Bryman, 2012). The study namely investigated the developments made from the year before the International <IR> Framework was released until year 2014 and it examined the social and relationship disclosures in the annual reports of the six medical firms reporting according to <IR> during those years.

3.2 Chosen research strategy: Qualitative versus Quantitative

According to Patton (1990) data used in qualitative studies may consist of observations or documents in form of companies' annual reports. Creswell (2013) further argues that there are some differences between quantitative and qualitative research strategies and he also says that it is important to decide what kind of strategy the chosen research study should have.

One of the dissimilarities is that the former includes numeric data, while the latter is based on image or text data (Creswell, 2013). Another difference is that the quantitative strategy does not consider any personal values in combination to the chosen research study or validates the accuracy of the empirical findings, while the qualitative one takes these factors into account (Creswell, 2013). Additionally, Bryman (2012) claims that quantitative strategies are suitable when there is quantification in the data collection while qualitative ones often emphasize words.

Since this thesis was based on words and text data in form of social and relationship disclosures and did not consider either numbers or quantification in the data collection, the study was a qualitative study. Another reason to why the study had a qualitative character is that it considered ethics and social impacts and this information could result in increased personal value for the stakeholders. A final reason is that the sample used in this thesis was not selected randomly. Instead it was based on a subjective selection. Therefore the inquiry was qualitative according to Tracy (2013).

3.3 Selection

3.3.1 Choice of entities

The first step when conducting this study was to select the companies. To make the selection, the International Integrated Reporting Example Database was used. In this database 149 companies from 13 different sectors were recommended by Blacksun Plc (firm specialized in stakeholder communications) (Blacksun, 2016), the IIRC and other <IR> supporters like accounting companies (IIRC, 2016b; IIRC, 2016c). They suggested these companies, since they were seen as having reported concise information about all aspects including governance, prospects, strategy and performance (IIRC, 2016c). Their reports are also leading practice, due to their reputable awards and their effective benchmarking and based on the <IR> framework (IIRC, 2016d). Therefore they were seen as being valuable and important to examine further.

In the healthcare sector, six companies were suggested. These companies were; Astra Zeneca (Sweden and the Great Britain), Novo Nordisk (Denmark), Omron (Japan), Royal DSM (the Netherlands), Syngenta (Switzerland) and Takeda (Japan) (IIRC, 2016c). This industry was chosen, due to the fact that social and relationship capital has been found to play a major role in healthcare organizations (Powell, Koput and Smith-Doerr, 1996) and effective when developing organizational knowledge (Aghamirzaee, Tabari and Paydar, 2014).

Moreover, all six companies were included in the study, since they were appropriate in number with respect to time limitations. They were neither too few nor too many to get credible results and thereby the sample size was assumed to be reasonable. At the beginning of this study the plan was to make a study based on entities in the automobile industry. However there were merely a few firms recommended by the IIRC and Blacksun, too few for finding reliable results. Therefore the choice of sector was changed during the process.

3.3.2 Years

When searching for the annual reports published by the chosen companies, only three of them had made the annual report from 2015 available. In order to make the study as reliable and fair as possible, the year before was determined to be the last year studied. To make it possible to observe changes over time three years were chosen and to decide what years to examine, the date of the launch of the <IR> framework was checked. Thereafter the year before the establishment (2012), the year when the framework was published (2013) and the year after (2014) were selected for the study. The thought was to examine year 2012, 2013, 2014 and 2015, but when the latter was not available, this was changed to three years instead.

3.4 Sample technique and Sample size

3.4.1 Sampling technique

The first step when scrutinizing data was to determine the sample technique as well as size. Since this thesis was based on a qualitative study, the sample used had a non-probability feature (Bryman, 2012). The companies examined were not randomly selected. Instead they were chosen based on personal judgment. The selected sample was tied to the purpose of this study and was therefore called Purposive sampling (Bryman, 2012).

According to Palys (2008) this kind of sampling technique is synonymous with qualitative studies and this was a reason to why the purposive technique was useful for this study. To answer the research question(s), a purposive selection of six entities operating in the healthcare sector applying Integrated Reporting was made. Therefore the entire population in the medical service area had not the same probability of being chosen, a criterion for probability and random sampling (Bryman, 2012).

3.4.2 Sample size

The appropriate size of a sample depends on many factors, such as resources available, time allocated and aim of study, but should be between 5 and 25 according to Patton (1990). A qualitative sample size should not be either too small or too extensive, because if being too small, it is hard to obtain credible findings and if being too extensive, the data analysis might be complicated (Onwuegbuzie and Collins, 2007). Due to this, a sample size of six medical entities was chosen and a sample of eighteen annual reports was used, in order words, three annual reports per company. Considering the aim of study and the time limitations, a sample size of 6 entities were assumed to be reasonable and large enough to give reliable empirical findings, as stated by Patton (1990).

3.5 Data Collection Method

In accordance with Creswell (2009) there are many ways to collect data, but when conducting a qualitative study the most appropriate methods are document reviews, interviews, focus groups, audiovisuals and observations. While quantitative data collection methods often are well structured including data possible to compare easily, the qualitative ones are less structured and open-ended (Bryman, 2012; Creswell; 2009).

For this study the data collection method and also the study design was to examine documents in form of annual reports. The data examined was merely secondary data, because it was found within these reports. Furthermore, this study was only based on these published documents as source and the reason for choosing this source was the reliability. The information provided within them by the chosen companies have namely been audited by certified public accountants and this method has also been used in previous studies according to Rimmel (2003). No other sources seemed appropriate for the purpose, since all information seemed to be found in the reports.

3.5.1 Data collection

In this study year 2010 was the year of reference, because this is the year before the launch of the International Integrated Reporting Framework. The annual reports from this year were used as reference, in order to observe how the annual reporting was provided before <IR> was introduced. This was followed by an examination of the annual reports published year 2013 and 2014 with the intention to observe changes. The annual reports all three years were used to collect secondary data regarding social and relationship issues among the medical service firms chosen.

To make sure that the information was available, the process began with examining if the selected companies had published their annual reports from year 2015 or not and for what years annual reports were available at all. Thereafter the reporting of three of the six companies was examined in terms of social and relationship disclosures with the intention to find relevant aspects for the disclosure scoreboard. When searching for the relevant disclosures, some selected parts of the annual reports were thoroughly read and in other parts the search function in Adobe Acrobat Reader was used to ensure that all information included in the study was observed. Example of databases used when collecting the information was among others Business Source Primer, JSTOR, JU library and Emerald.

Hence the annual reports from all years studied were evaluated to find out how the disclosures regarding social and relationships were influenced by the International Integrated Reporting Framework. The social and relationship disclosure were evaluated using a self-made disclosure scoreboard including 28 different items relevant for the purpose and the information disclosed was assessed with either zero points or one point. Points were given if the item examined was made available in the annual reporting and if it fulfilled the information requirements decided and no points was given at all if the item was excluded.

Furthermore, in some cases the availability of the item was not enough for receiving any point. In these circumstances in-depth descriptions were required. In other cases the companies scored when mentioning the item studied or when presenting numbers. Examples of the former were disclosures concerning reputation, community engagement, long-term social targets and fair pricing policy. Examples of the latter were amount of animals purchased for research and community investment. How the 28 items were assessed is seen in figure 2.

3.5.2 Disclosure Scoreboard and Data Analysis

The use of disclosure scoreboards has shown to be large around the world and there is a lot of literature connected to this research instrument. This tool is applicable when assessing the quantity of data within the published annual reports. It is especially useful for voluntary disclosures and is designed as a long list of chosen elements (Rimmel, 2003; Marston and Shrives, 1991). It might contain either voluntary disclosure or compulsory information and the data used might be taken from interim reports or annual reports among others (Marston and Shrives, 1991).

In this thesis, a similar design was used. However since the purpose was to examine development during a longer period, it was decided to create a unique disclosure scoreboard, which was better suited for this research. The starting point when creating this self-constructed scoreboard was to check the disclosure scoreboard made by Gunnar (2003). This was used as a guide to know how to construct the scoreboard. However this research instrument only contained human resource factors and no items was considered to be relevant for this study. Therefore a unique scoreboard was created using 28 items related to social and relationship issues.

Moreover, these items were selected partly by referring to the definition of social and relationship capital according to the framework, but also by examining annual reports, especially the sustainability section from three of the chosen companies and by using GRI G4 Sustainability Reporting Guidelines (GRI, 2015). To make it possible to study both parts of the capital it was important to include factors from both aspects.

Furthermore, some indicators presented in GRI (2015) seemed more relevant than others, due to the purpose of the study such as investment, non-discrimination, human rights and anti-corruption. Others were decided to be irrelevant like employment, remuneration among gender and labor practices and were thereby excluded. The study namely had focus on social aspects rather than human resources in form of employees, even though they were included in the category social according to GRI (2015). Aspects within the sub-category product responsibility did not seem appropriate for this study either, since the aim was not about products or delivery.

From the definition by IIRC (2013b) of social and relationship capital items such as reputation, trust, internal and external relationship, social license to operate, norms, values and behaviors were selected. The remaining aspects were chosen by examining the annual reports. The data collection for the disclosure scoreboard was made separately by both researchers with the intention to make this process as reliable as possible and to reduce subjectivity. The final disclosure scoreboard is seen in figure 1 underneath and it is divided in six categories to make the presentation of data more comprehensive.

Part of the Disclosure Scoreboard

Company	Novo Nordisk		Novo Nordisk		Novo Nordisk	
Year	2012		2013		2014	
Items	1/0	Page	1/0	Page	1/0	Page
Social disclosures (norms, values, behaviours, targets)						
Shared norms						
Common values						
Shared behaviours						
Long-term social targets						
Non-discrimination, Human rights, Anti-corruption						
Non-discrimination						
Human rights						
Anti-corruption						
Ethical concerns						
Donations						
Amount spent on donations						
Animal tests						
Amount of animals purchased for research						
Ethical diversity						
Ethical diversity policy						
Business ethics						
Training in business ethics						
Fair pricing/ pricing policy (pharmaceuticals)						
Relationship disclosures						
Internal relationships						
Relations to investors						
Relations to external stakeholders (non-investors)						
Community engagement						
Community investment						
Intangibles, Approval, Reputation						
Intangibles associated with the brand						
Social licence to operate						
Reputation						
Accountability, Responsibility, Reliability						
Accountability is expressed by the reporting entity						
Social responsibility						
Commitment to building trust						
Reliability is shown						

Figure 1-Part of the Disclosure Scoreboard

As seen in figure 1, this figure representing the disclosure scoreboard constructed merely indicates a section including the Danish company Novo Nordisk. The five remaining companies' scoreboards are similar in structure and colour but are excluded here, due to limited space. The figure represents a period of three years, starting with year 2012 and ending with 2014. When assessing the social and relationship disclosures each year for each company both the main research question; '*How has the use of the International <IR> Framework influenced the social and relationship disclosures of companies within the medical care industry?'* and the first sub-question; '*Which significant differences can be observed regarding the social and relationship information disclosed between the entities chosen?*' could be answered. In this way it could namely be possible to compare their total actual scores with one another, but also their results within certain categories.

The disclosure scoreboard is divided in six sections named; (1) Social disclosures in form of norms, values, behaviors and targets; (2) Non-discrimination, human rights and anti-corruption; (3) Ethical concerns; (4) Relationship disclosures; (5) Intangibles, approval and reputation; and (6) Accountability, responsibility, reliability. This structure made it easier for the two researchers to find similarities and differences, but also deviations. Additionally, this division was helpful when observing what items had been excluded one year and included another or the other way around and how the <IR> had an influence on this. When scrutinizing the various categories the second sub-question '*How have the social and relationship concerns been developed in the annual reporting over time?*' could be answered as well.

In figure 2 below one can see how the 28 items have been assessed. What disclosures have been given points and not?

Items	**Points given**	**No points given**
Shared norms	If the firm mentions shared norms wihtin the organization	If the firms does not mention it at all
Common values	If the firm mentions common values wihtin the organization	If the firms does not mention it at all
Shared behaviors	If it is clearly described	If it is only mentioned or not included
Long-term social targets	If it is described in-depth	If it is only mentioned or not included
Non-discrimination	If the firm describes how to avoid discrimination	If it is only mentioned or not included
Human rights	If the firm works with human rights somehow	If it is only mentioned or not included
Anti-corruption	If it is clearly described	If it is only mentioned or not included
Donations	If it is mentioned somehow	If it is not included at all
Amount spent on donations	If the numbers are presented	If it is just described without numbers
Animal tests	If the animals used are presented	If it is only mentioned or not included
Amount of animals purchased for research	If the numbers are presented	If it just mentioned that animals are used for research
Ethical diversity	If it is clearly described	If it is not clearly described or not included
Ethical diversity policy	If it is described in-depth	If it is only mentioned or not included
Business ethics	If it is mentioned somehow	If it is not included
Training in business ethics	If the training program is mentioned	If it is not included
Fair pricing	If the pricing policy is well described	If the policy is only mentioned or not included
Internal relationships	If it is mentioned somehow	If it is not mentioned
Relations to investors	If it is mentioned somehow	If it is not mentioned
External relations	If it is mentioned somehow	If it is not mentioned
Community engagement	In-depth descriptions are required	No descriptions or not included
Community investment	If it is mentioned in numbers	If it is not mentioned
Intangibles associated with brand	If it is mentioned	If it is not included
Social license to operate	In-depth descriptions are required	No descriptions or not included
Reputation	Well explained	Not included or just mentioned
Accountability	Well explained	Not included or just mentioned
Social responsibility	Described in-depth	Not included or just mentioned
Commitment to building trust	If it is mentioned somehow	If it is not mentioned
Reliability is shown	If it is mentioned	If it is excluded

Figure 2-How the items were assessed

3.6 Quality Assessment

Quality in form of validity and reliability has been discussed by an extensive amount of qualitative researchers from various perspectives. Patton (2001) asserts that both concepts are important and should be considered when making data analyses, study designs and quality assessments. Eisner (1991) further states that well performed qualitative studies make it easier to understand situations that would otherwise be unclear. However Stenbacka (2001) says that reliability has no meaning in qualitative research and if used it is rather misleading. Although a few researchers believe that reliability is only useful in quantitative research, the majority has disagreed and do believe it is crucial for receiving credible results (Silverman, 2009; Patton, 2001).

Reliability is described as '*the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions.'* (Hammersley, 1992, p.67). In this thesis, the trustworthiness of the research was strengthened by assessing the consistency of the interrater reliability. When conducting the disclosure scoreboard the two researchers scrutinized the social and relationship disclosure separately, and they selected and made decisions regarding the relevant disclosure for the specific sub-research question. Information which each author alone found relevant.

Thereafter the chosen disclosures were compared with one another, in order to see whether the two researchers were consistent. In this way it was possible to measure the consistency of how the rating system was applied and the research was made two times instead of once. Since this study was designed with rating system of 0 to 1 it had a similar structure as other rating systems. The researchers also determined the level of relevance for the disclosures available. When doing this, the researcher subjectivity was reduced as well.

However the reliability of the published documents available were also assessed. Since annual reports provided by the companies have been audited by certified public accountants as said previously, they were seen as reasonable. The quality of the information within those reports was namely assessed and then the risk of gaining inaccurate and unreliable results was reduced.

Validity on the other hand is about how well the study is measuring what is supposed to be assessed (Bryman, 2012). This concept is categorized as Internal or External validity (Bryman, 2012). When making the research the researchers were concerned about the sample size. A reasonable sample size large enough for gaining trustworthy empirical findings were selected and in this way the study became more valid.

Moreover, the method and design of study were also presented clearly with thorough explanation of how to obtain data, how to examine it as well as how to document the relevant extracts of the annual reports, regarding social and relationship. Since two investigators were used when scrutinizing and selecting the information instead of only one single person, triangulation was applied as a tool for decreasing personal biases of researchers and to enhance validity (Brink, 1993). The disclosure scoreboard was namely conducted twice, independently.

3.7 Motivation for the chosen method

Since the International <IR> Framework was developed year 2013 (IIRC, 2013b) it was interesting to see how the social and relationship disclosures were provided before that year and then also how it was later changed when the framework was released and a couple of years afterwards. Some companies in the healthcare sector were used in this thesis and the reason is that previous studies have found that social and relationship capital is important in the public sector, especially for pharmaceuticals and other medical firms, since they are based on public harmony (Frost and Seamer, 2002). This industry was also chosen, due to the fact that social and relationship capital is vital for companies within the healthcare industry (Powell, Koput and Smith-Doerr, 1996) and effective when developing organizational knowledge (Aghamirzaee, Tabari and Paydar, 2014).

Further reasons for choosing this sector are that Blacksun and IIRC claimed that these entities had reported concise information regarding governance, prospects, strategy and performance and they were at the top when it comes to benchmarking and reputable awards. Therefore the choice seemed reasonable (IIRC, 2016c). The sample size of six companies also seemed as a large enough sample for this study, in order to reach reliability, as mentioned above.

Moreover, one reason for choosing to make a qualitative study was the huge interest in seeing the changes of the social and relationship data over a longer time period, especially since the adoption of the International <IR> Framework. Since numeric data was useless in this case, it was determined to use text data and words instead, which is favorable for qualitative studies according to Creswell (2013) and Bryman (2012). Another motivation for the choice of research strategy is that the sample used in this thesis was not selected randomly. Instead it was based on a subjective selection. Therefore the inquiry was qualitative, as claimed by Tracy (2013).

However it was also important to assess the validity and reliability of the study in question and since the quantitative approach does not consider these aspects at all (Creswell, 2013) the qualitative method seemed more appropriate. The validity and reliability were namely assessed when choosing the sources of the data collection. Further arguments were that this study was based on document reviews and Patton (1990) claims that a qualitative approach is more suitable when using this data collection method. With reference to Patton (1990) the chosen approach was plausible.

Annual reports are further both reliable and valid and the data presented is also trustworthy, due to the fact that they are audited by certified public accountants and if providing incorrect information it would result in dissatisfied shareholders and other stakeholders. Therefore they were used as a basis for the collection of data, even though entities often strive for presenting and revealing only the good sides of the story and try to show only the positive view of a certain situation.

On the contrary, other data collection methods did not seem reasonable, since if interviewing managers or other employees within the chosen companies on telephone or with meetings it would be time-consuming and costly. Therefore the reviewing of documents in form of annual reports seemed as the most effective alternative and also the only plausible method for this study. The data collected was thereafter included in a disclosure scoreboard, in order to make the study clearer and more understandable.

Furthermore, the reason for examining the social and relationship capital was that there was plenty of research about human resource disclosures available, but not that many about the social aspects. Therefore the authors found it interesting to see how this capital had been presented in the annual reports, with regard to the increasing interest of the society in social and environmental causes and impacts nowadays.

Finally before the development of <IR> the reporting regarding social capital was not as developed as for example financial or manufactured capital (Simnett and Huggins 2015) as said previously. This was another reason to why a research of the effect of the International <IR> Framework on the social and relationship capital was appropriate. Previous studies have also found a positive correlation between firm performance and social capital (Reed, Srinivasan and Doty, 2009), between social capital and knowledge transfers (Tymon and Stumpf, 2003) and the effect of this capital on social affairs (Nahapiet and Ghoshal, 1998). This was the last reason for the choice of capital.

4 Empirical Findings

This chapter gives a comprehensive overview of the findings found in the annual reports year 2012, 2013 and 2014 for the six medical service entities. The empirical findings represent the social and relationship disclosures of these companies. Initially the total scoreboard year 2012, 2013 and 2014 for all six entities will be provided. Hence a figure representing each company's actual scores for all three years will be shown. Thereafter all companies will be compared and presented in terms of six separate sections. Figures are used, in order to give as clear picture of the results as possible.

4.1 Total overview of the scoreboards

The first part of this chapter gives an overview of the total scoreboards each year, in order to see the findings at the same time and to make comparisons. The three scoreboards seen underneath namely indicate the actual score received for the companies: Novo Nordisk, Omron, Syngenta, AstraZeneca, Royal DSM and Takeda year 2012, 2013 and 2014 respectively where the maximum potential score was 28. The annual reporting was assessed with either one mark or no marks. The first section ends with a figure representing company size and country origin.

4.1.1 Scoreboard year 2012

In this year, thus the year before applying the International Integrated Reporting Framework, Omron and Takeda had the same result, since both of them had 22 points, representing 78.57 % of the maximum score. Novo Nordisk on the other hand gained only one point more, representing 82.14 % of the potential result. This is seen in figure 3. One of the factors scoring for the latter but not for the former companies was fair pricing. Novo Nordisk (2013) says that 'in 2012 the company's long-standing differential pricing policy, offering human insulin to the world's 49 poorest countries at prices not to exceed 20 % of the average prices in the Western world.' (Novo Nordisk, 2013, p.12). This was determined to be scoring.

Furthermore, AstraZeneca disclosed 24 items and had the highest result with 85.71 % of the maximum score. This medical service firm received one point for the category amount of animals purchased for research. This factor was merely found in two of the six companies' annual reports. AstraZeneca (2013) states that 'in 2012, we used approximately 304 000 animals in-house. In addition, approximately 14 000 animals were used by external CROs on our behalf.' (AstraZeneca, 2013, p.33). This quote resulted in marks for the item previously mentioned. However the entity which obtained least points was Syngenta with only 16 points (57.14 % of the potential score). However Royal DSM was not much better with 19 points, representing 67.86 % of all disclosures. The former missed marks for the factor non-discrimination and the latter missed score for the factor business ethics, while all other entities received marks for those items.

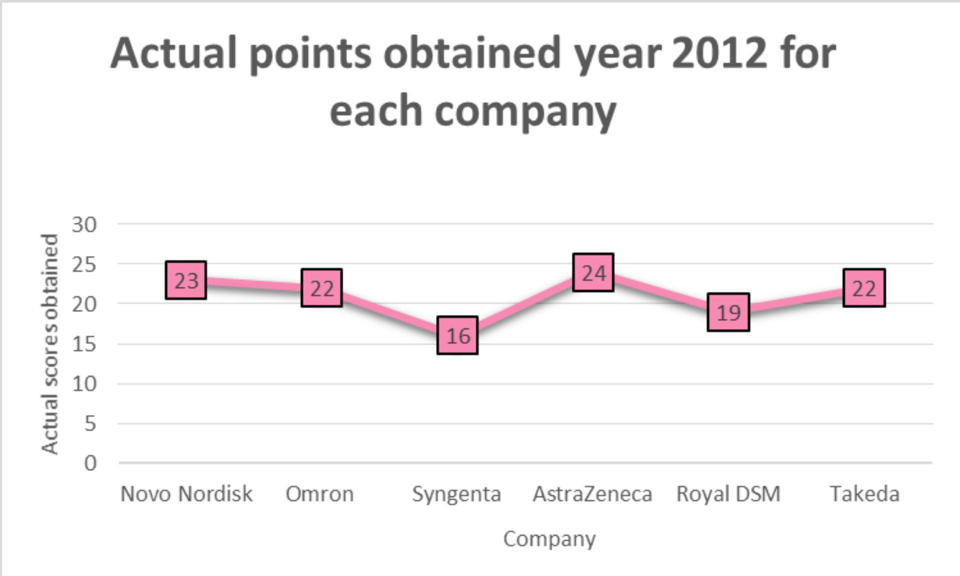

Figure 3-Actual points obtained year 2012 for each company

4.1.2 Scoreboard year 2013

The fourth figure found below shows the points given for all six entities year 2013 where the maximum number of scores attainable was 28. In this year, thus the year when started using the International Integrated Reporting Framework, Novo Nordisk and Royal DSM had the same amount of hits, namely 22 of 28, which is 78.57 % of the maximum points. Omron on the other hand disclosed one fewer item (75 %) while AstraZeneca provided one more item than the two companies mentioned heretofore. This company disclosed 82.14 % of all items. One category scoring for AstraZeneca but not for either Novo Nordisk or Royal DSM was norms. In AstraZeneca (2014, p.23) it is described that 'belief level is in line with the pharmaceutical sector norm.' When examining this kind of information it resulted in marks.

Nonetheless, neither Syngenta nor Takeda had good results this year, because Syngenta was awarded with only 64.29 % of all potential points while Takeda gained even fewer with a percentage of 57.14. The latter had also the lowest score in total. One item not fulfilled for neither Syngenta nor Takeda, but for all other entities was reliability. Other items not disclosed in either the former or the latter's reporting were norms, long-term social targets, amount of animals purchased for research, fair pricing and social license to operate. Some of the factors mentioned previously were included, but not well described. Therefore they did not get any points for these categories.

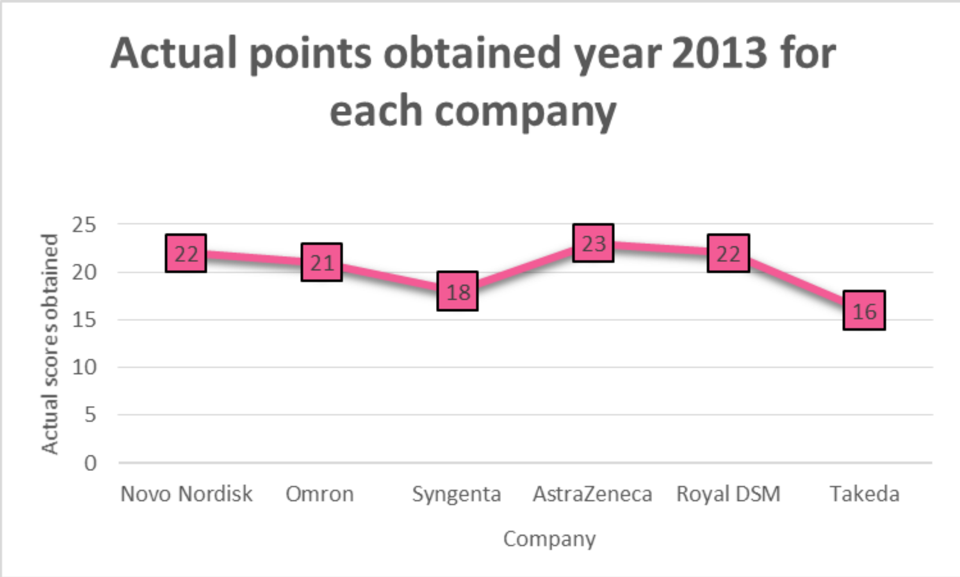

Figure 4-Actual points obtained year 2013 for each company

4.1.3 Scoreboard year 2014

The fifth figure shows the total points given for each entity year 2014, the year after the launch of the <IR> Framework. In this period full score was 28 as before and as seen in figure five, AstraZeneca got 25 points representing 89.30 % of the potential score. They only lacked information about shared behavior, intangibles associated with their brand and social license to operate. This was good results compared to Omron, Royal DSM and Takeda, since these firms had not much social or relationship information provided. Royal DSM collected merely 14 points, which is the same as a percentage rate of 50 of all possible items. They did not include any information regarding either business ethics, social targets, internal relationship or community engagement, whereas the remaining firms revealed disclosures about these subjects. This means that Royal DSM had the lowest score this year.

Furthermore, Syngenta improved its result from last year and received 23 points, which is the same amount as Novo Nordisk obtained. These firms disclosed 82.14 % of the maximum disclosures. They increased their disclosures about for instance commitment to building trust, accountability and internal relationships. In Syngenta (2015a, p.37) it was also found information about reliability when mentioning that ‘together, these will help us to better understand ways of reducing water stress while increasing yield reliability and improving product quality.’.

Norm disclosures on the other hand were also provided when stating that ‘we are building an organization in which cross-disciplinary teams and thinking are the norm, particularly across crop protection and seed-related disciplines.’ (Syngenta, 2015a, p.30).

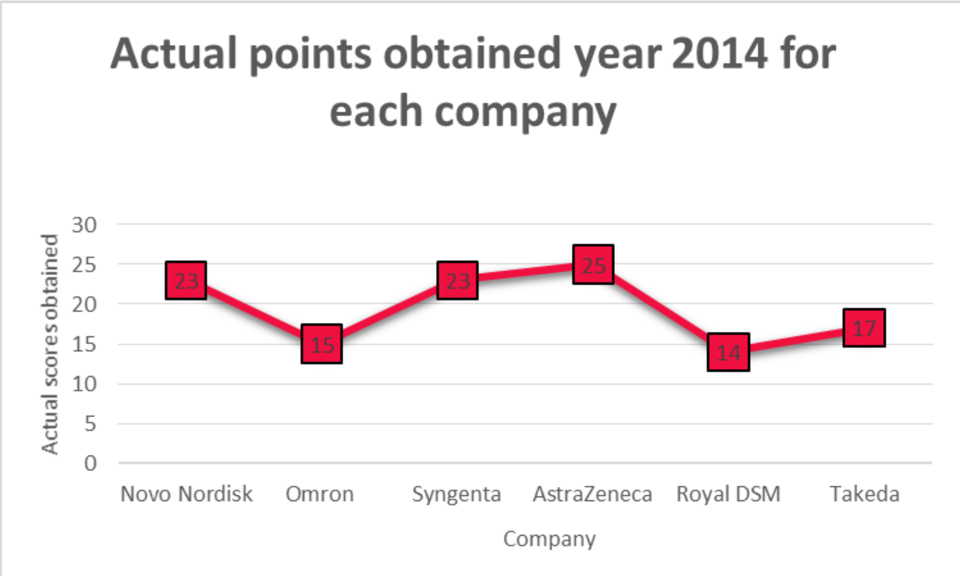

Figure 5-Actual points obtained year 2014 for each company

4.1.4 Aggregated score

When adding all points each firm has received together, one can clearly see that year 2012 had the highest amount of disclosures. Hence the extent of items decreased year after year. Year 2012 the aggregated score was 126, year 2013 it was 122 and in the final year there were only 117 items available in the annual reports. There was a downward-sloping curve as seen in figure 6.

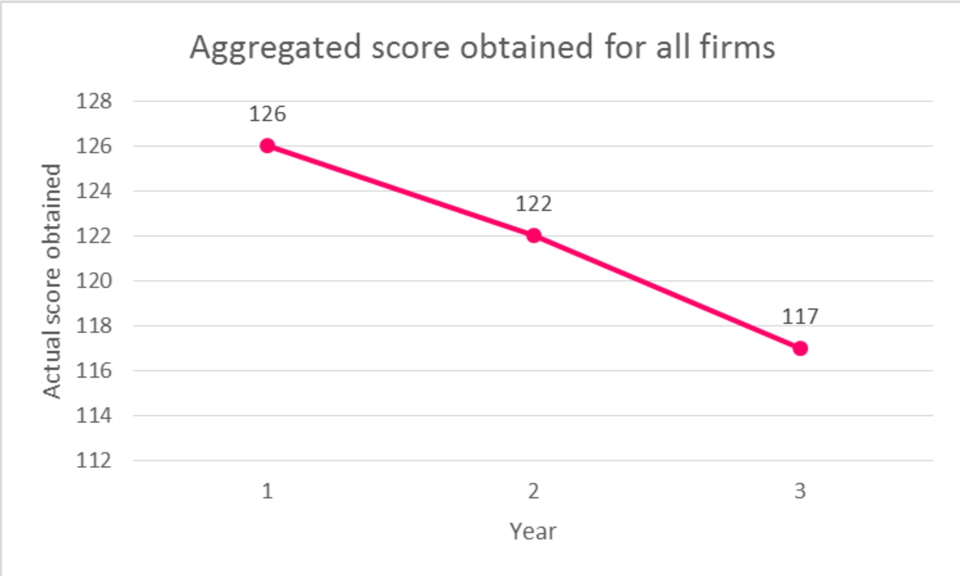

Figure 6-Aggregated score obtained for all firms

4.1.5 Size of companies and nationality

Figure seven below indicates the number of employees within the chosen companies each year. As seen, in the final year studied, AstraZeneca has around 57 500 employees and is thereby the greatest firm. Royal DSM on the other hand has only around 21 351 people employed and is therefore the smallest firm. The second largest company is Novo Nordisk with around 41 450 employees and on the third place Omron is find with approximately 37 572 people employed. The fourth and fifth place were represented by Takeda and Syngenta with 31 225 and 29 340 employees respectively. In other words, the largest company has more than two times as many employees as the smallest one.

When it comes to nationality, there are four European firms and two Japanese entities. Two of them are Nordic and the remaining are from West Europe.

Company size	Nr of employees	Nr of employees	Nr of employees	Country
Year	2012	2013	2014	
Companies				
Novo Nordisk	34 731	38 436	41 450	Denmark
Omron	35 411	36 842	37 572	Japan
Syngenta	27 262	28 149	29 340	Switzerland
AstraZeneca	53 500	51 500	57 500	Sweden/Great Britain
Royal DSM	23 500	23 485	21 351	The Netherlands
Takeda	30 305	30 481	31 225	Japan

Figure 7-Firm size and country of origin

4.2 Influence on the social and relationship disclosures over time

This part presents the findings associated with the main research question and also the first sub-question, since initially each entity is compared with itself during the given time period and thereafter a comparison of all companies is provided. Figure eight below shows how the social and relationship disclosures of each company has been changed during the three years studied. As seen Novo Nordisk has a relatively stable trend during this period, since it starts with disclosing 23 of 28 items and in the following year, they only reduced their disclosures with one item.

However in the final year examined, the annual reporting included as many items as in the first year. This indicates a decline of 4.35 % from year 2012 to year 2013, but then an increase of 4.55 % between year 2013 and 2014. Additionally, AstraZeneca has also a quite stable curve, which decreased slightly the first year but increased again the second year. The highest difference was between year 2013 and 2014 with two points. In percentage, the non-financial information available increased with 4.17 in the first year and then it was reduced with 8.70 in the subsequent year.

Omron, Royal DSM and Takeda on the other hand started disclosing fewer items over time. Omron for instance has a descending curve, because firstly it obtained 22 points, but during the following two years, they made fewer factors available in the reports. Thereby they reduced their score from 22 to 15 over time. This shows a decrease of 28.57 % between year 2013 and 2014, from 21 to 15 points. However there was only a small decrease of 4.55 % from the first year to the second year studied.

On the contrary, Royal DSM had an upturn the first year, but then a reduction the year after while Takeda had the opposite trend. During the first two years, the former entity made three more items available in the reports whereas the latter firm disclosed six fewer factors. This was later changed, since between the second and the final year, Royal DSM reduced their availability of social and relationship items with eight while Takeda made an increase of one. In percentage, Royal DSM had a rise of 15.79 in the first period and then a decline of 36.36 whereas Takeda had a reduction of 27.27 in the first period but then an upturn of 6.25 in the second one.

Moreover, Syngenta's curve is upward-sloping since they improved their disclosure from 16 to 18 items in the first year and then to 23 in the final year examined. In percentage the curve of this company enhanced with 12.50 after one year and then with 27.78 during the following years.

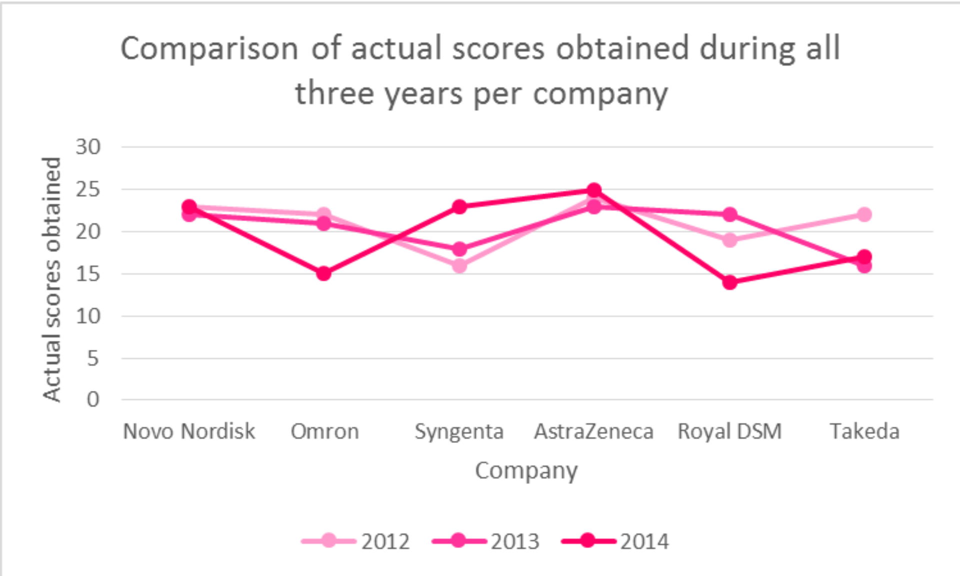

Figure 8-Comparison of actual scores obtained during all three years per company

4.3 The influence on the different sub-categories over time

To make it as clear as possible when providing the empirical findings fundamental for the second sub-question and to make it possible to answer the second sub-question, the presentation of the data found is divided into six sections. This is done in order to examine differences between various sub-categories and also from one company to another. Each section describes how the various items have been affected over time and whether some companies have disclosed the same amount of items, more or fewer than others. It also shows if some items have been disclosed one year and excluded another.

4.3.1 Section 1: Social norms, Values, Behaviors and Targets

Figure nine represents the first sub-category social norms, values, behaviors and targets. This section includes four items in total and indicates the development of the aggregated points for these factors in this category. The maximum score to gain was 4 per factor each year and 12 in total per year.

In 2012, Novo Nordisk and Omron had higher results than the other four entities, since they obtained three points (75 %) whereas the others gained two points (50 %). In the following years the disclosure of Novo Nordisk remained unchanged, whereas Omron reduced their disclosures with one item. Omron's result represented 50 % of all disclosures. Both Syngenta and AstraZeneca improved their results in this sub-category during the period 2013 to 2014 with two and one item respectively and had a result of 100 % and 75 % respectively.

On the contrary, the trends of the remaining two entities fluctuated. In the second year examined Takeda revealed merely one item (25 %), but in the subsequent year they disclosed two factors instead representing 50 % of the maximum score. In Takeda (2015, p.52) the item long-term social targets was made available when saying that they should 'continue to increase knowledge and awareness of CSR among employees.'

Another interesting discrepancy is the change between year 2013 and 2014 for Syngenta. In the previous years it had only disclosed 50 % of all items possible, since neither norms nor social targets had been presented. However year 2014 these factors were included in the corporate reporting too and thereby increased the result to 100 %. One quote fundamental for scoring was 'We also launched a program to certify our flowers farms to the standard developed by Global Good Agricultural Practice to assess farm workers' health, safety and welfare.' (Syngenta, 2015a, p.17).

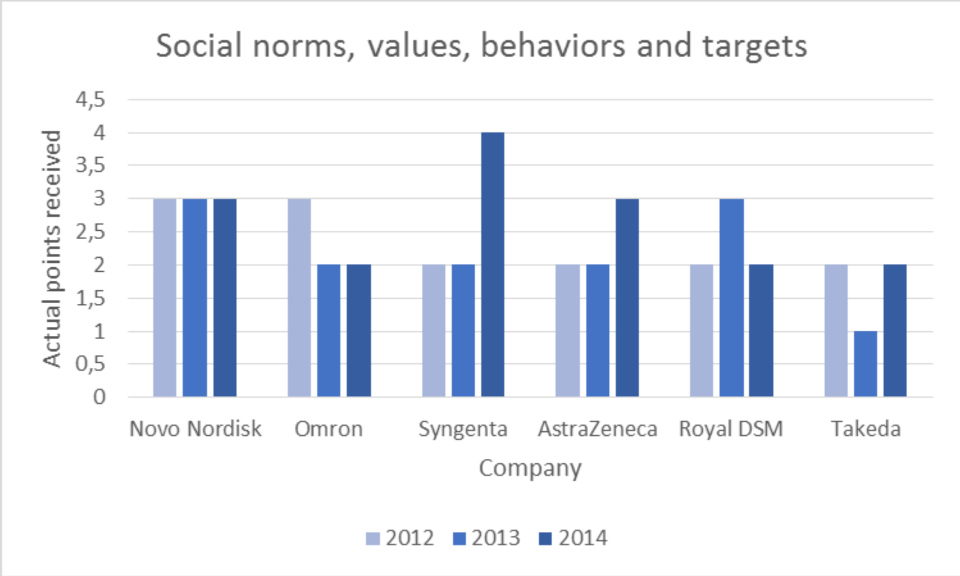

Figure 9-Social norms, values, behaviors and targets

4.3.2 Section 2: Non-discrimination, Human rights and Anti-corruption

Figure ten represents the second sub-category non-discrimination, human rights and anti-corruption. This section includes three items in total and shows the change of the aggregated points obtained for these factors in this category. The maximum score possible to obtain was 3 per factor and 9 in total per year.

In 2012, all companies except for Syngenta scored full marks. The latter firm had one point less which was 66.67 % of all items within this category. The reason was that information about non-discrimination was excluded in the annual report this year. In the subsequent year the disclosures of Novo Nordisk and Omron were reduced with the item non-discrimination and had a result of 66.67 %, while Syngenta made an upturn with one score for the same item and had thereby a result of 100 %. The other three firms remained unchanged.

Furthermore, in the final year all entities except for Takeda retained the same amount of items as the previous years. Takeda on the other hand lost one point for non-discrimination and had therefore a result of 66.67 %. Due to the fact that this item was the main factor under this sub-category, two extracts are provided to explain what was scoring. Omron (2013) says that ‘we do not discriminate on the basis of nationality, gender or ability, and we welcome individuals who have diverse values and skills.’ (Omron, 2013, p.82). In the same year Novo Nordisk (2013) states that ‘Novo Nordisk seeks to attract and develop the best talent from all over the world and offers equal opportunities for career development and an inclusive, non-discriminating working environment.' (Novo Nordisk, 2013, p.12). Both quotes were scoring for the factor mentioned above.

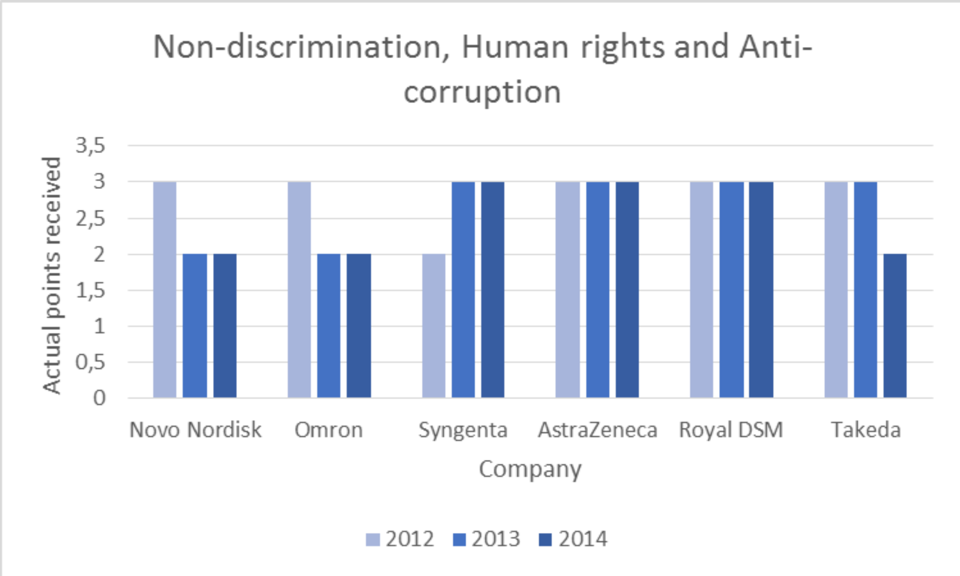

Figure 10-Non-discrimination, human rights and anti-corruption

4.3.3 Section 3: Ethical concerns

Figure eleven represents the third sub-category ethical concerns. This section includes nine items in total and illustrates the development of the aggregated scores obtained for these factors in this category. The maximum score possible to obtain was 9 per factor and 27 in total per year.

In the first year examined, AstraZeneca had the highest result with nine points (100 %) whereas Syngenta and Royal DSM had the lowest one with five points (55.56 %). Moreover, in the year thereafter both Novo Nordisk and Syngenta improved their disclosure with one item, representing 100 % and 66.67 % of the maximum score respectively. On the contrary Takeda reduced its reporting with the same amount and had a result of 55.56 %. This year the trends of the remaining firms remained unmodified.

In the final period, Syngenta, Omron and Royal DSM reduced their information available with a result of 55.56 %, 33.33 % and 22.22 % respectively. However the others did not change the number of items disclosed at all. One factor seen in the annual reporting of Novo Nordisk year 2013 and 2014 but not in 2012 for instance was ethical diversity policy. In order to receive score for this item the policy needed to be described, not only mentioned and therefore they missed points. Neither Omron nor Royal DSM received any marks for donations or amount spent on donations in the final year. This factor was contrariwise included the last two years. This explains the sudden decline between year 2013 and 2014.

Furthermore, one item found in all reports during the given time period was ethical diversity. Royal DSM (2014) for example disclosed this when explaining that ‘fostering an inclusive culture that embraces differences is consistent with DSM’s corporate values and helps it to create the high-performance organization it requires as a truly global company.’ (Royal DSM, 2014, p. 45).

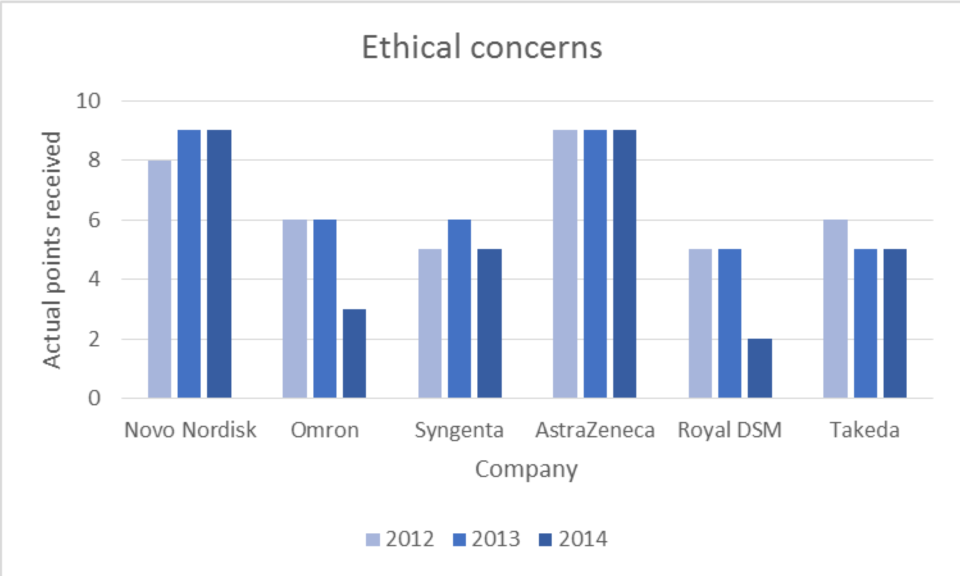

Figure 11-Ethical concerns

4.3.4 Section 4: Relationship disclosures

Figure twelve represents the forth sub-category relationship disclosures. This section includes five items in total and indicates the change of the aggregated scores obtained for these factors in this category. The maximum score possible to obtain was 5 per factor and 15 in total per year.

In the year before the launch of the International <IR> Framework, AstraZeneca and Takeda had full marks, whereas Novo Nordisk had the lowest result with three points representing 60 % of the potential score. The remaining firms received the same number of points namely four points which was 80 % of all disclosures. In the following year, one could see a small decline for both Omron and Takeda. The former disclosed one fewer item, while the latter disclosed two fewer items than the previous year. This gives them a result of 60 %. The trends of the four other entities were unmodified.

Moreover, in the last year of the studied period four companies started to make more items available in the annual reports. These firms were Novo Nordisk, Omron, Syngenta and Takeda. However Royal DSM had a reduction of two factors instead and had thereby a result of 40 %.

One item found in all reports was relations to external stakeholders. This item was actually available during the entire period for all entities. In Omron (2015b, p.59) the factor previously mentioned was expressed when saying that 'while remaining true to the basic spirit of our corporate motto and corporate core value, as expressed in our Management Commitments, we manage our business in a way that emphasizes the importance of honest dialogue with stakeholders to forge relationships of trust.'

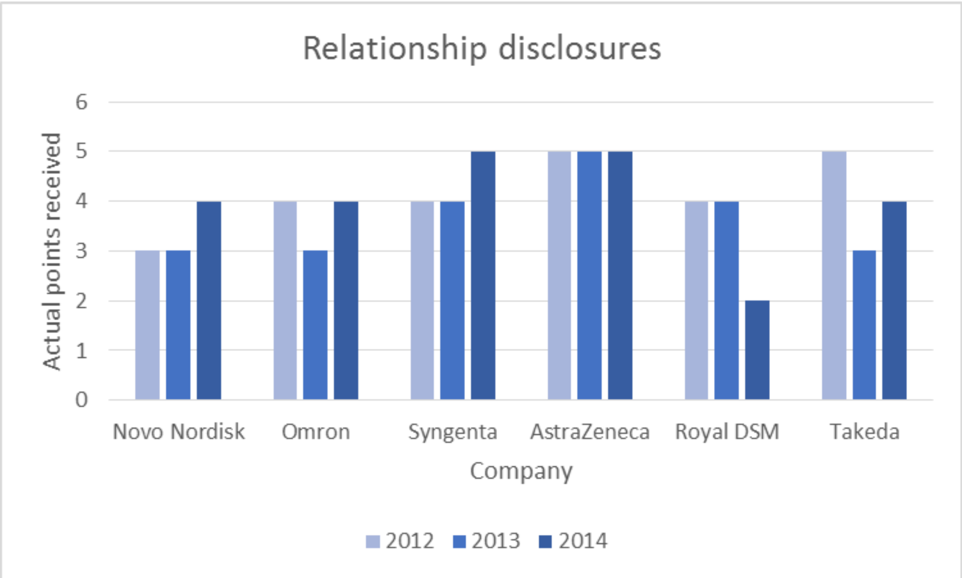

Figure 12-Relationship disclosures

4.3.5 Section 5: Intangibles, Approval and Reputation

Figure thirteen represents the forth sub-category intangibles, approval and reputation. This section includes three items in total and shows the development of the aggregated scores given for these factors in this category. The maximum score possible to obtain was 3 per factor and 9 in total per year.

In the first year studied, all companies received two points (66. 67 %) with one exemption namely Royal DSM. The latter gained one point for reputation (33.33 %), but all others obtained points for this item too. This year the only entity which disclosed social license to operate was Novo Nordisk (2013) when explaining that 'value is created in three ways. Firstly, it makes Novo Nordisk more adaptive to changes in its business environment. This, in turn, helps protect the company's license to operate and builds trust.' (Novo Nordisk, 2013, p.19).

One year thenceforth, the amount of items found in the annual reporting was reduced for three of six entities. This year AstraZeneca, Novo Nordisk and Takeda provided information about one item instead of two, representing 33.33 % of all items within this category. Novo Nordisk stopped describing social license to operate for instance. However both Omron and Syngenta had the same result as before and Royal DSM increased their non-financial information from one to three factors with a result of 100 %. In this period all three potential items could actually be found for the entity previously mentioned.

Furthermore, in the subsequent year Syngenta's disclosures were unchanged and this time Takeda and AstraZeneca's reporting were unmodified as well. Novo Nordisk on the other hand started describing the item intangibles associated with the brand. It thereby enhanced its result from one to two with a result of 66.67 %, whereas both Omron and Royal DSM stopped revealing reputation and social license to operate respectively and thereby decreased their score with one point. Omron made 33.33 % of all disclosures within this category available, while Royal DSM made 66.67 % available.

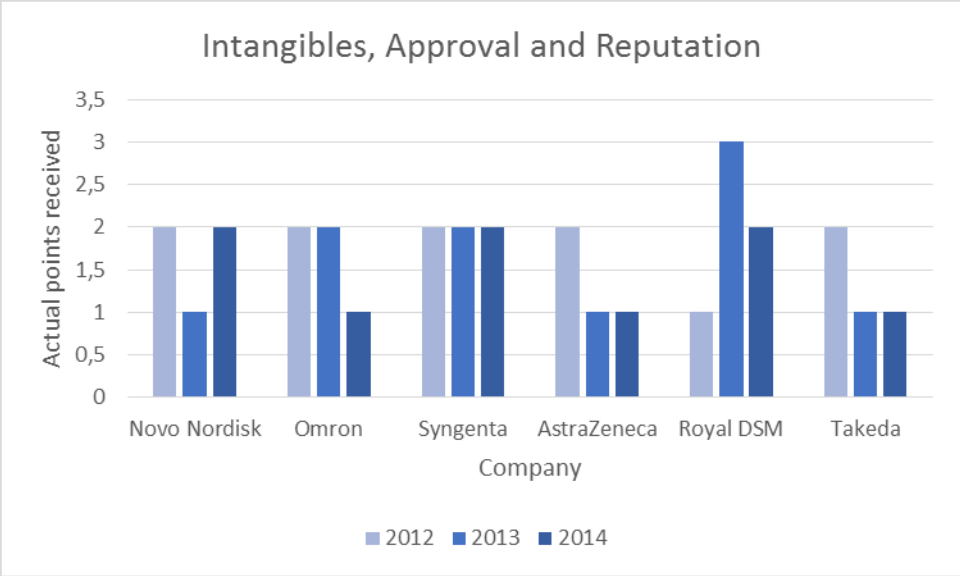

Figure 13-Intangibles, approval and reputation

4.3.6 Section 6: Accountability, Responsibility and Reliability

Figure fourteen represents the forth sub-category accountability, responsibility and reliability. This section includes four items in total and shows the change of the aggregated scores obtained for these factors in this category. The maximum points possible to obtain is 4 per factor and 12 in total per year

In year 2012 four companies received full marks and one company namely AstraZeneca obtained three points representing 75 % of the maximum score. This firm only missed one point for social responsibility, whereas the sixth firm Syngenta was awarded for this item. However the latter had merely one point, since it could not be found anything about either accountability, commitment to building trust or reliability in their annual reporting. It had thereby a percentage rate of 25.

In the following year, all disclosures were unaltered except for Takeda's reporting. This firm decreased their result with one item, since they stopped providing information about reliability. Thereafter Takeda did not provide this factor either. This means that its result was 75 % instead of 100 %.

However in the final year, Novo Nordisk, Omron and Royal DSM also reduced their disclosure with one item, namely commitment to building trust, social responsibility and reliability respectively. This year they had 75 % of all items included in their reports.

Syngenta and AstraZeneca on the other hand improved their reporting with three and one factor respectively and reported 100 % of all items. Both of them had full marks in the final year studied and the latter also started disclosing social responsibility, not mentioned at all in the previous reports. AstraZeneca (2015) namely obtained marks for this item when providing that 'we are committed to operating responsibly, supporting our community and maximizing the benefit of our investment for all stakeholders.' (AstraZeneca, 2015, p.65).

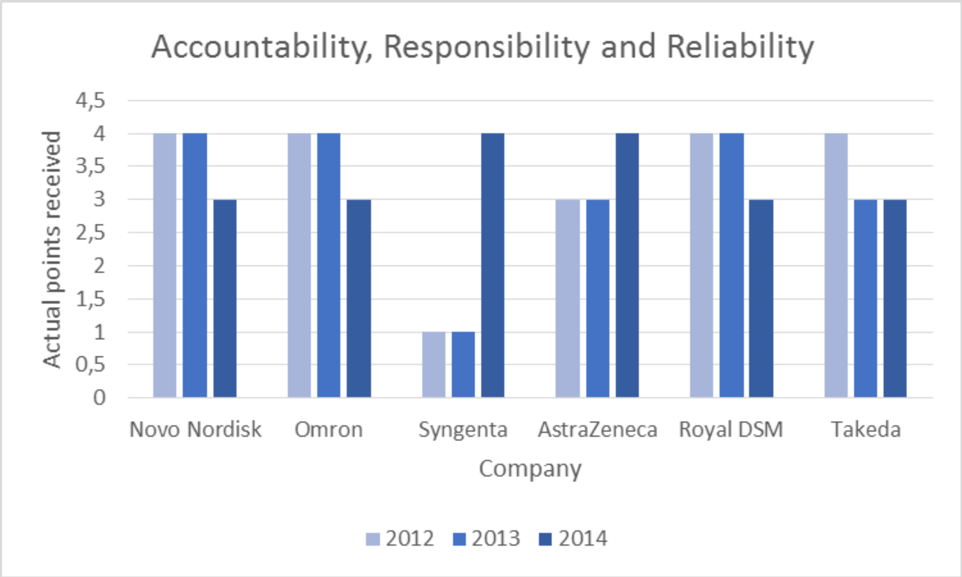

Figure 14-Accountability, responsibility and reliability

5 Analysis

This chapter includes an analysis of the empirical findings and the research questions, whee the theoretical framework is used to analyze these. The entire analysis is well associated with the research questions of this thesis.

5.1 Differences in disclosures among the companies

5.1.1 Main Distinguishing Findings

When examining the results presented in the previous chapter, it is evident that both the content and extent of social and relationship disclosures differs from one entity to another. Some companies disclose more items than others and there are some significant differences observed. AstraZeneca always present more than or an equal amount of factors as the remaining firms, while Takeda and Omron have similar amounts of disclosures as Royal DSM and Syngenta. The last company Novo Nordisk has fewer disclosures than AstraZeneca in total, but when comparing the actual scores per year, there is often a difference of merely one or two points. Additionally when making a comparison between the Danish firm Novo Nordisk and the four firms Takeda, Omron, Royal DSM and Syngenta it is shown that this entity has between 11-13 more disclosures over all. These findings are seen in figure 3, 4, 5 and 8.

Furthermore when comparing the firms in terms of disclosure content instead it is found that some firms have many ethical disclosures, between 8 and 9 disclosures out of 9 whereas others have only around 2 and 5 disclosures within this area, as seen in figure 11. It is also shown that all companies take anti-corruption and human rights into account as shown in figure 10. However when it comes to social license to operate, this information is only disclosed by two firms during the three-year period studied and the information about reputation is reduced in the annual reports of Takeda and Omron over time as indicated in figure 13.

5.1.2 Structure of the Analysis

The supplementary question is what the reasons for the differences could be. Why are some firms more willing to make information available than others? Why do some firms prioritize ethical information and social license to operate while others do not? What are the reasons behind the huge interest in disclosing human rights and anti-corruption issues and why is reputation disclosures more important for some firms than others?

As seen in the theoretical framework several authors such as Hossain and Reaz (2007) and Arvidsson (2003) have explained the differences in the extent of information disclosures between companies from the perspectives of size and nationality. Other researchers have explained the content differences with the legitimacy theory (Deegan and Unerman, 2011) and reputation preservation (Firth, 1979). With reference to these previous studies, an analysis including these variables is presented underneath with the intention to see if they are the answers for the observed differences among the chosen entities or not.

5.2 Extent of social and relationship disclosures

5.2.1 Size

With reference to previous studies (Depoers, 2000; Chow and Wong-Boren, 1987; Hossain and Reaz, 2007) a positive relationship between the extent of information disclosed and the size of firm is expected. This means that the larger firm, the more information revealed. Moreover several studies have also stressed the relation between social disclosures and firm size (Jaggi and Low, 2000; Patten, 1995; Hackston and Milne, 1996). On the contrary, other studies such as Prencipe (2004) has found no correlation at all. Rimmel, Nielsen and Yosano (2009) claim that entities in smaller size disclose more information since they have a larger interest to reduce uncertainty and they have not found any correlation either. This means that there are shared opinions regarding this topic.

When comparing these arguments with the empirical findings presented within this thesis study, it is clear that the former statements are supported, while the latter arguments are negated. AstraZeneca is shown to be the largest company with more than two times as many employees as the smallest company Royal DSM, as seen in figure 7.

The total points given to AstraZeneca was 72, but Royal DSM only had a score of 55. This indicates a noteworthy difference of 17 points. Furthermore the second largest firm Novo Nordisk had 68 disclosures but the third largest entity had merely 57 disclosures showing a difference of 11, which must be considered to be significant. These findings are presented in figure 8.

Due to the findings one can identify a positive correlation between company size and amount of information disclosed. This is in line with the findings made by Depoers (2000), Hossain and Reaz (2007) and Chow and Wong-Boren (1987) as well as the findings regarding the correlation between social disclosure and firm size presented by Jaggi and Low (2000), Patten (1995) and Hackston and Milne (1996). One can also conclude that the argument by Prencipe (2004) and Rimmel, Nielsen and Yosano (2009) about the insignificant influence on the amount of disclosures is inconsistent with the findings within this study.

One reason to why this is the case might be that larger companies disclose more historical and forward-looking voluntary information than smaller companies as shown in the study by Robb, Single and Zarzeski (2001). Another reason might be that it is expensive to accumulate and publish non-financial information and therefore smaller firms both find a difficulty in affording this and lack other important resources for collecting the information required (Buzby, 1975).

Furthermore, greater entities normally feel pressure from the public, media and also the governments and since the information asymmetry is reduced when providing more voluntary disclosures as seen in Adrem (1999), the reduction in information asymmetry might result in less pressure from these agencies. This might explain some of the variations noted in this study.

5.2.2 Nationality

In the study by Meek, Roberts and Gray (1995) it is found that regional and national factors affect the amount of non-financial information disclosed. Gamble *et al.* (1996) and Guthrie and Parker (1989) further argue that there are differences in both the extent of disclosures and the kind of social disclosures among entities representing various countries worldwide. Additionally, Craven and Otsmani (1999), Bonsón and Escobar

(2002), Bozzolan, O´Regan and Ricceri (2006) and Surakka (2012) have found that country of origin affects the extent of information disclosed. Arvidsson (2003) also made findings that larger firms and Swedish firms disclose more intangibles than smaller firms and non-Swedish entities.

When analyzing the results within this study one can see that these findings are consistent with the argument made by Arvidsson (2003). The Swedish company AstraZeneca had 72 disclosures in total compared to the second best firm Novo Nordisk with its 68. Moreover AstraZeneca also disclosed 17 more items than the two firms publishing the least information (Royal DSM and Takeda). These are proof that Swedish firms disclose more non-financial information than non-Swedish firms within the same industry. Since AstraZeneca also is the largest company while Royal DSM and Takeda are among the smallest, both statements could be justified. The differences are large enough for being valid. Therefore Swedish versus non-Swedish could be seen to play a major role in the extent of information disclosed and thereby be one reason to the differences in amount of disclosures between AstraZeneca and the remaining firms.

On the other hand, the arguments by Surakka (2012), Craven and Otsmani (1999), Bonsón and Escobar (2002) and Bozzolan, O´Regan and Ricceri (2006) are inconsistent with the empirical findings within this study. When making a deeper investigation by analyzing the Japanese companies with the European ones, there is shown to be no significant deviations. The two Japanese firms Takeda and Omron had similar results as the European entities Royal DSM and Syngenta. The former had 55 and 58 respectively whereas the latter had 55 and 57 respectively. There is a difference of one point if comparing the total points of the Japanese companies with the total score of Royal DSM and Syngenta. Implying that there is an insignificant difference, too small for drawing reliable conclusions, one can conclude that there is no significant relationship between origin of country and social disclosures. Nationality only affects the amount of information given by the firms to a minor extent.

5.3 Content of social and relationship disclosures

5.3.1 Legitimacy

The answer for the differences in type of disclosures might be in line with the legitimacy theory. Deegan and Unerman (2011) argue that what is legitimate depends on both place and time of firm operations and therefore the content of the reporting might be different. This means that some firms might believe that they do not need to strengthen their legitimacy required by the stakeholders, while others feel that they need to improve this. This could be an explanation to why some of the chosen firms have decided to focus a lot on ethical issues, while others reveal less information year after year.

Another explanation for the differences in content could be that some companies might face other pressures such as environmental or governmental or sometimes even pressures from the media. Then social disclosures is not as important. Due to the different pressures, the content in the report might be varied as stated by Buzby (1975) and Reverte (2009). Finally the companies cannot disclose everything since then the reports had been too long and complex. Therefore they might choose to include information about favorable aspects only, as claimed by Arvidsson (2011).

Within this study great differences in the type of ethical information presented can namely be noted. Some provides the shareholders and other stakeholders with in depth descriptions, a few companies mention the concept and others do not consider it at all. While AstraZeneca and Novo Nordisk have around 8 and 9 disclosures, Royal DSM and Omron have merely around 2 and 3 disclosures in the final year as seen in figure 11. The former make experiments with animals and have thereby social pressures. However neither Royal DSM nor Omron has the same social expectations and therefore these empirical findings support the statement by Deegan and Unerman (2011), Buzby (1975), Reverte (2009) and Arvidsson (2011).

Furthermore, studies such as Cooper and Owen (2007), Laine (2009) and Etzion and Ferraro (2010) argue that companies seek to do the right thing from a societal perspective with the intention to establish legitimacy. This could explain why only two of them prioritize social license to operate, since what is reported might be dependent on stakeholder demands and if not meeting these demands, they might not get social license to operate. Due to the fact that companies only present positive news and favorable aspects (Arvidsson, 2011) they might choose not to reveal any information about the weak social license to operate for instance. The aim of doing the right thing from the view of the stakeholders might also explain why all firms disclose human rights and anti-corruption. These are two important subjects within both the business world and the entire society. It is namely essential for firms not to be corrupted and to treat people respectfully, in order to increase investments and to attract consumers.

5.3.2 Reputation Preservation

Scholars have found a positive correlation between reputation disclosures and reputation preservation (Firth, 1979). The findings within this study is consistent with this statement, since when examining the total amount of items disclosed, neither Takeda nor Omron had high results. During the three-year period studied they further decreased their disclosures compared to the year of reference. Furthermore the information about reputation and circumstances affecting their reputation was also difficult to find in the annual reports provided by the Japanese firms. Concerns about reputation was excluded in the reports by the former from year 2013 and onwards and the latter stopped disclosing this item year 2014. This is indicated in figure 13 and means that these two entities did not find the preserving of reputation particularly important.

On the other hand, the remaining four companies described their reputation concerns all three years and three of them (Novo Nordisk, AstraZeneca and Syngenta) also increased their total information disclosures during the three-year period. All of them reached a score of at least 23 sometime during this period, also shown in figure 13. These findings indicate an interest in preserving a good reputation and the statement regarding the correlation between reputation disclosures and reputation preservation by Firth (1979) should thereby be supported. In other words, the reason to why some firms disclose information about reputation while others do not could be due to the interest of preserving the reputation and the reason to why firms have different content in their reports could be variations in external pressures or the legitimacy interest.

5.4 Development of social disclosures over time

Besides comparing the differences in disclosures among the chosen entities, the aim was also to find out how the social disclosures had been developed over time. With reference to the empirical findings there has been a decrease in the development of the aggregated disclosed social and relationship information over time. When adding all disclosures for the six companies, they disclosed 126 items year 2012 but only 117 year 2014, as shown in figure 6. If examining the disclosures within each category, all categories have faced a decline, except for Social norms, values, behavior and target which made an improvement (figure 9) and Accountability, responsibility and reliability which was unchanged (figure 14).

However the reasons for the decline are hard to explain. These findings are not in line with many previous studies, which have shown that social capital is important for the organization and should therefore be improved. Reed, Srinivasan and Doty (2009) showed in their study that social capital is effective for firm performance, especially in relation with highly competent people. Nahapiet and Ghoshal (1998) have found a positive correlation between social capital and social affairs. McFadyen and Cannella (2004) have shown the importance of this capital for creativity and the creation of knowledge and Adler and Krwon (2002) have found a positive correlation between social capital and knowledge transfer.

Moreover, the results are also inconsistent with the disclosure theory and other voluntary disclosure studies. This theory supported by many researchers assumes that the lower information revealed, the weaker transparency and the harder it is to make investment decisions (Adrem, 1999). It is further argued that the more voluntary disclosures provided, the less risk of this information asymmetry problem (Adrem, 1999) and that the intention is to provide as much information as the users demand and if revealing too little information investment decisions might be obstructed (Rimmel, 2016).

With reference to the disclosure theory and previous findings, an increase in the information about social and relationship capital would be expected. One reason to why the results in this study indicates the opposite might be that entities want to make only material information available in the annual reports rather than unimportant disclosures. This supports the idea of integrated reporting, since an integrated report should merely include relevant and material disclosures that the entities are willing to share with their shareholders and other stakeholders (IIRC, 2013b). If disclosing too much information there is also a risk for the stakeholders to miss the important information and rather focus on immaterial and unessential information (Cook and Sutton, 1995). Therefore they might lower their published information.

Another reason to these results might be the risk of revealing their competitive advantages, since when presenting both positive and negative news, it might result in a decrease in demand. This would support the statement by Deegan and Rankin (1996) and Arvidsson (2011) about the incentive for firms to disclose only favorable news. When revealing too much information, rivals could namely benefit from this in one way or another as seen in the study by Buzby (1975).

5.5 The effects of <IR> on the social and relationship disclosures

This analysis together with the empirical findings have shown that the social disclosures have successively decreased throughout the three years, as mentioned previously. The final question is if the introduction of the <IR> framework has any impact on this decline or if the decline is independent on the new concept.

Eccles and Krzus (2010) argue that the <IR> framework would lead to more disclosures of non-financial information. Lodhia (2015) and Cheng *et al.* (2014) on the other hand claim that the <IR> framework is still under development and they are therefore not as sure about the improvement as Eccles and Krzus (2010). As seen in figure 6 in the previous chapter, the highest aggregated score was obtained for the financial year of 2012, a decrease was noted for the financial year of 2013 and a further decrease was observed year 2014. These findings goes on the contrary with what is stated by Eccles and Krzus (2010). The <IR> framework tends to contribute to less disclosures rather than more information.

On the other hand, the empirical findings are consistent with the studies by Lodhia (2015) and Cheng *et al.* (2014), since when analyzing the results one could see a clear decline within most of the categories from year 2013 and onwards. This could be in line with the IIRC (2013b) who states that the transition to integrated reporting is difficult and acknowledges the complexity of the transition from one reporting technique to another.

Another reason for the decline might be the lack of clear guidance. The framework does not state what is to be reported (IIRC, 2013b). Instead it is principle-based (IIRC, 2013b) which implies that the reporting entity can choose what to report on. This is in line with the argumentation by Cheng *et al.* (2014) who argue that the framework could not possibly lead to more disclosures due to its subjectivity. If the reporting entity do not know how to report on an aspect or what to include it might result in confusion.

The concept is also used in order to give stakeholders better information, not more information (UNGC, 2010; IIRC, 2013b). This could explain why the majority of the firms reduced their disclosures when the framework was introduced and is thereby consistent with the arguments made by IIRC (2013b) and UNGC (2010). This is also in line with the aim of the <IR> framework, the aim of reporting organizational value created over time (IIRC, 2011). Since not all business activities, numbers or social issues are influences in the value creation process, the firms might exclude non-valuable information and only describe factors that contribute to higher value. In some firms social factors are important, but in others environmental or intellectual factors might be more significant.

6 Conclusion

In the final chapter conclusions drawn from the analysis are given, followed by discussion and implications of the thesis study. Thereafter suggestions for further research and ethical and social contributions are described.

6.1 Conclusion

The purpose of this thesis was to find out how the International <IR> framework has influenced the reporting of the social and relationship disclosures within the healthcare industry, to compare the reporting of the six medical firms chosen and to examine how the social concerns have been developed over time.

After analyzing the empirical results of this study one can conclude that the aggregated disclosures of social and relationship capital among the reporting entities examined has decreased over time. The annual reports of year 2013 were seen to disclose the least information and the information published successively decreased after the introduction of the international <IR> framework. Therefore conclusion can also be drawn that there was a negative relationship between this framework and the capital examined. From this year and onwards the disclosures were reduced in all categories except for one, namely Social norms, values, behaviors and targets.

Furthermore there were also some differences among the entities both in content and extent of disclosures. Some companies disclosed many items, whereas others only disclosed a few items. Some focused on ethical concerns, while others did not consider it at all or merely mentioned it. Based on the analysis, size of the firm was shown to have a significant impact on the extent of disclosures, while nationality only had a minor influence. Therefore one can conclude that there is a positive relationship between size and number of disclosures, but no relationship between nationality and amount of information disclosed. When it comes to content, it could be linked to factors such as reputation preservation and legitimacy interest.

6.2 Discussion and Implications

6.2.1 Discussion

Before conducting the thesis study one could expect an increase in information disclosed over time, since previous studies showed increases of other capital disclosures, which contributed to this impression. On the contrary this study indicated a decrease instead. The decrease in the disclosures followed by the introduction of the <IR> framework could be due to several different factors.

Firstly the <IR> framework is principle-based and neither list which matters to report on nor describes how the report is to be compiled (IIRC, 2013b). Secondly the <IR> framework is in a development phase, meaning that the framework does not offer a full guide on how to construct or implement an integrated report (Lodhia, 2015; Cheng *et al.* 2014). Due to unclear guidance firms have to make more effort than merely incorporating different reports.

Furthermore, one can easily imagine the complexity in the change from one reporting technique to another. The complexity is related to the transition to a new and unproven technique, where accumulated know-how is scarce. The authors view the reports from year 2012, the last year before the framework was released (IIRC, 2013b) to be the most comprehensive report, regarding the amount and type of social and relationship information disclosed. This year most of the items were made available in the annual reports of the reporting entities. In other words, the combination of the factors mentioned above might be an explanation to the decrease in the social and relationship disclosures.

Moreover, it is plausible to believe that the challenges involved in the transition discussed above will diminish over time, resulting in better reports that contain more disclosures about this capital. The effects of <IR> might be seen clearer in the future, since this process probably takes several years before being completely developed.

Finally the authors' impression is that there is a need for a change regarding how entities report their non-financial information. Due to the increase in societal pressures and ethical expectations among stakeholders, firms need to show that their organizational activities meet these expectations. Since other reporting techniques do not take ethical issues into account (Lodhia, 2015), firms' accountability is not clearly shown. Integrated reporting could be useful for organizations to communicate that their activities and objectives are conducted in compliance with ethical and social norms. Although there are some differences in the type of information disclosed among the companies chosen, assumption can be made that these differences are reasonable, due to variations in business ideas, business models and firm objectives. Companies should be allowed to choose how to report based on their preferences. Some might report more about ethical concerns whereas other firms might disclose more information about social norms or non-discrimination.

6.2.2 Implications

During this study the authors have identified several implications that might affect the result of the study. Firstly the study is limited to six entities, it is possible that another result would be obtained if the same study had been conducted with other entities or with a larger sample size. The study is also limited to entities involved in only one sector, the healthcare industry and if the same study was made with entities involved in other industries or cross industries instead, other findings might have been obtained.

Moreover the research only focuses on the social and relationships capital and therefore the conclusions drawn might not be valid for disclosures regarding other capitals. Since this study does not examine if the release of the <IR> framework has led to increases in information related to other capitals it does not show the full picture. Additionally, the examination has not checked the quality of the information disclosed. Therefore it is possible that entities having low scores in this study have higher quality in the information disclosed than entities obtaining high scores or vice versa.

Finally, the data collection is further based on subjective judgments when assessing the various items. Even though the researcher subjectivity is reduced when using two investigators it is never completely eliminated. There is still risks of evaluating findings in the light of the investigators' own values and to exclude other important data when observing and selecting certain information.

6.3 Further research

This study merely scratches the surface of the field of social disclosures and integrated reporting. Since the research is limited to six organizations within one single sector it would be interesting to widen the search to include other sectors or cross-sectors. This in order to see whether the same conclusions can be drawn or not. Furthermore it would also be of interest to include other capitals included in the <IR> framework to make it possible to investigate if these disclosures have decreased as well. This might contribute to a better understanding of the effects of <IR>. Additionally, due to the fact that there are six capitals presented by IIRC, it would be useful to examine if one of these capitals is preferred to the others.

However there are also many other aspects to investigate besides sector and capital. One could for instance make a study based on integrated thinking with the aim of finding out whether the application of <IR> leads to integrated thinking or not. It could also be useful to examine the effects of the cost of capital when applying the <IR> framework.

Finally a comparison between organizations experiencing a high external pressure from stakeholders and the society at large and organizations experiencing a lower external pressure could be of interest, in order to explore to which extent organizations choose to implement <IR>. Do the firms implement the concept with the intention to respond to outside pressure or because of their aspiration to compile relevant annual reports and thereby draw on the benefits of the <IR> framework?

6.4 Social and Ethical Issues into consideration

In this study, the authors have taken both social and ethical issues into account. The information used has been collected from public sources, which means that everyone could easily access the documents. The authors have tried to reduce the researcher subjectivity and to be as objective as possible. This increases the reliability of the empirical findings.

With respect to the empirical results within this study it is clear that there is little information disclosed when it comes to the important asset social and relationship capital. Some companies exclude information about ethical concerns completely, but they actually have to make sure that they have good ethical conditions. If making an experiment they have to treat the animals respectfully and this information needs to be available for the shareholders and other stakeholders, otherwise it might damage their reputation and corporate image. How these issues are considered could affect society's impressions of the companies.

Moreover ethical diversity is also something that needs to be described in-depth in the annual reports, since this kind of question is vividly discussed within the society. If treating everyone equally and also making this information available in the reports, the perception of how to judge different people and how to treat them might be changed. This could result in higher investments and profits, since more investors get the incentive to invest in the firm. It could also lead to stronger competitive advantage and an increase in market share.

Finally the empirical results showed that only a few reporting entities presented long term social targets in their annual reports and neither community engagement, donations nor community investment were presented by all of them either. This might be a missed opportunity, since if engaging more with social activities and volunteering more and more people might recognize the company and its trademark. This could result in an increase in the amount of customers or a stronger reputation. The more disclosed information, the more transparency. Transparent reports are important to meet pressures from media and the government, but also to fulfil the needs and expectations of stakeholders.

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