



Electronic Theses and Dissertations

2022

Are emerging markets prepared to adopt integrated reporting? evidence from listed companies in Kenya

Geoffrey Ikavulu Injeni
Strathmore Business School
Strathmore University

Recommended Citation

Injeni, G. I. (2021). *Are emerging markets prepared to adopt integrated reporting? Evidence from listed companies in Kenya* [Thesis, Strathmore University]. <http://hdl.handle.net/11071/12670>

Follow this and additional works at: <http://hdl.handle.net/11071/12670>

**Are Emerging Markets Prepared to Adopt
Integrated Reporting? Evidence from Listed
Companies in Kenya**

Geoffrey Ikavulu Injeni

Thesis submitted in total fulfilment of the requirement for the
Degree of Doctor of Philosophy in Accounting and Finance,
Strathmore University

Strathmore University Business School
Strathmore University
Nairobi, Kenya

August 2020

This thesis is available for library use through open access on the understanding that it is copyrighted material and that no quotation from the thesis may be published without proper acknowledgement.

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

©No part of this thesis may be reproduced without the permission of the author and Strathmore University.

Geoffrey Ikavulu Injeni
(Student/Author)

Signed...



Date.....21st August 2020.....

ABSTRACT

The purpose of this study was to establish the extent to which listed companies in emerging markets like Kenya are ready for integrated reporting. An integrated report demonstrates how a company's strategy, governance, performance, and prospects, in the context of its external environment, leads to the creation of value. The International Integrated Reporting Council (IIRC), working with local regulators like the Capital Markets Authority (CMA) is encouraging companies to adopt integrated reporting. However, there is no empirical evidence that listed companies in Kenya are making sufficient disclosures to adopt integrated reporting and whether preparers, regulators, and users are open to this innovation in corporate reporting. Also, corporate reporting disclosures are influenced by different country contexts and company factors. Therefore, this study first used self-constructed indices to Analyse the annual reports of 50 companies listed on the NSE from 2010 to 2016 for financial information using International Financial Reporting Standards (IFRS), sustainability, corporate governance, and integrated reporting disclosures. Second, the relationship between the disclosures and the company factors was established using static and dynamic panel data econometric models. Third, a semi-structured questionnaire was used to obtain the perspectives of 20 preparers and semi-structured interviews conducted to obtain the perspectives of 5 regulators and 10 equity analysts. Findings and results reveal opportunities and challenges for the adoption of integrated reporting. First, IFRS, corporate governance and integrated reporting disclosures are high and trending upwards, but sustainability disclosures are low though improving. Size is the only company factor that is positive and significant across all the disclosures. Large companies, with those in telecom and banking sectors, in addition to those that report high sustainability and corporate governance disclosures will likely adopt integrated reporting. However, only 14% of companies analysed had formally adopted integrated reporting by 2016. While regulators and users support the voluntary adoption of integrated reporting, only half of the preparers are for mandatory adoption. Regulators do not expect corporate reporting regulation to be harmonized, while users do not see improvements in the investment process from adopting integrated reporting. Despite improvements in corporate reporting, with stakeholders open to the adoption of integrated reporting, the different country and company features, the varying needs of different stakeholders, remain challenges that need to be overcome. Besides, the three stakeholders consider integrated reporting as a stage in corporate reporting and therefore more research is required to establish the optimal corporate reporting.

DEDICATION

To God, for His endless grace. To my father Simon and my mother Alice, for their infinite love and encouragement to continue being excellent in all my endeavours. To my three sons: Arnold, Aidan, and Adrian, for understanding my extended absence from home to complete this research. Finally, to my wife Florence, because of her unconditional love and support, I could accomplish so much.

ACKNOWLEDGMENTS

“If I have seen further, it is by standing on the shoulders of giants.” – Isaac Newton

I would like to extend my sincere gratitude to all those individuals who made this research possible. First, to my supervisors Professor Robert Mudida and Professor Musa Mangena who, despite their busy schedules, provided guidance, comments, critiques, and suggestions. Also, my special thanks go to Dr. David Mathuva, Dr. Freshia Mugo-Waweru, Dr. Joseph Odhiambo, Dr. Linda Chaba, Professor Ishmael Ateya, Dr. James McFie, all from Strathmore. Professor Kitindi and Dr. Henry Chalu of the University of Dar es Salaam Tanzania, Professor Stephen Nkundanyabanga of the University of Makerere in Uganda and Professor Jane Ande of University of Jos, Nigeria. Their valuable and helpful feedback and suggestions greatly contributed to this research. They are all great scholars who allowed me to stand on their shoulders.

Second, to my other colleagues at Strathmore: Professor John Odhiambo, Dr. Vincent Ogutu, Dr. George Njenga, and Dr. Angela Ndunge. I appreciate their words of encouragement, patience, support, and prayers to complete this research; I will forever remain grateful.

Third, to the research participants in the study from the preparers, the regulators to the analysts. The senior finance and reporting managers of the NSE listed companies who sacrificed their time to respond to the research questionnaire and to all the regulators and the equity analysts who agreed to be interviewed. I appreciate their participation and for providing valuable responses and feedback and other information to actualize the research. I forever remain indebted to you.

Fourth, to my fellow Ph.D. students and other colleagues in Strathmore University Business School, the accounting research group and the participants in 2016, 2018, and 2019 Africa Accounting and Finance Association conferences. Your valuable feedback, comments, and suggestions enhanced and made the study worthwhile. My sincere gratitude.

Fifth, I wish to thank my colleagues and friends Gillian, Beryl, Rancy, Josephine, Nancy, Joy, Kelvin, Kevin, Brian, Harry, and Ben, for their help in data collection, data analysis, and other research activities. Many thanks go to Bernard, Emily, and Mary, for their support in aiding access to academic journals and other reference materials in the library. To the Strathmore Graduate School for administrative support.

To many other colleagues, friends, and family, with the list being long, thank you. To all of you, my infinite gratitude. *Asanteni!*

TABLE OF CONTENT

DECLARATION	iii
ABSTRACT	iv
DEDICATION.....	v
ACKNOWLEDGMENTS	vi
TABLE OF CONTENT	vii
LIST OF TABLES	xv
LIST OF FIGURES.....	xviii
LIST OF ABBREVIATIONS	xx
1 CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background.....	1
1.2 Statement of the Research Problem.....	5
1.3 Research Objectives and Questions	7
1.4 Contribution to Knowledge	8
1.5 Summary of the Research Methods	10
1.6 Scope and Delimitations of the Study	10
1.7 Summary of the Chapter	11
2 CHAPTER TWO.....	13
INSTITUTIONAL BACKGROUND	13
2.1 Introduction.....	13
2.2 Brief Background on Corporate Reporting	13
2.3 Stages in the Development of Integrated Reporting Framework	15
2.3.1 Development of the Integrated Reporting Framework	15
2.3.2 The Integrated Reporting Framework.....	21
2.3.2.1 Definition of an Integrated Report	22
2.3.2.2 Objectives of the Framework	22
2.3.2.3 Purpose and Users of an Integrated Report.....	22
2.3.2.4 A Principles-Based Approach.....	23
2.3.2.5 Responsibility for the Preparation of an Integrated Report ...	23
2.3.2.6 The Guiding Principles	24
2.3.2.7 Fundamental Concepts	28
2.3.2.8 Content Elements.....	31

2.4	Kenya’s Institutional Context.....	36
2.4.1	Economic and Capital Markets	36
2.4.2	Regulatory Framework of Corporate Reporting.....	39
2.4.2.1	The Companies Act.....	39
2.4.2.2	Banking Act and Central Bank Prudential Guidelines.....	40
2.4.2.3	Insurance Act and Prudential Guidelines.....	42
2.4.2.4	International Financial Reporting Standards	44
2.4.2.5	Regulators and Regulatory Bodies.....	45
2.5	Theoretical Literature	52
2.5.1	The Relevant theories for this study.....	52
2.5.2	Agency Theory	56
2.5.3	Stakeholder Theory.....	58
2.5.4	Legitimacy Theory	60
2.5.5	Signalling Theory	62
2.6	Empirical Literature	64
2.6.1	Introduction	64
2.6.2	Financial and Non-Financial Information Disclosures	64
2.6.2.1	Financial Information Disclosures – Compliance with IFRSs	64
2.6.2.2	Non-Financial Disclosures – Sustainability and Corporate Governance Disclosures	69
2.6.3	Studies on Integrated Reporting.....	77
2.6.3.1	Integrated Reporting in Various Countries and Sectors	77
2.6.3.2	Integrated Reporting: Challenges and Opportunities.....	81
2.6.3.3	Perceptions of Preparers and Users on Integrated Reporting	82
2.7	Development of the Theoretical Framework and Research Hypotheses	85
2.8	The Conceptual Framework.....	93
2.9	Summary of the Chapter	95
3	CHAPTER THREE.....	98
	RESEARCH METHODOLOGY	98
3.1	Introduction.....	98
3.2	Philosophical Underpinning of the Research (Research Paradigm)...	98
3.3	Research approach: Qualitative, Quantitative and Mixed Methods .	100

3.3.1	Introduction: Background to Qualitative, Quantitative and Mixed Methods	100
3.3.2	Research Design	101
3.4	Data Collection Methods and Tools/Instruments	101
3.4.1	Background on Data Collection Methods and Tools	101
3.4.2	Data Collection Tools and Instruments	102
3.4.2.1	Document Review and Analysis and Administration	102
3.4.2.2	Questionnaire and Administration	104
3.4.2.2.1	Questionnaire Piloting; Highlights and Improvements	106
3.4.2.3	Interviews	109
3.5	Population and Sampling	110
3.5.1	Population	110
3.5.2	Sampling	111
3.6	Data Analysis	112
3.6.1	Corporate Reporting Disclosures from 2010 to 2016	112
3.6.1.1	Disclosure Checklists of IFRS, Sustainability Reporting and Corporate Governance	112
3.6.1.2	Awarding of the Scores on Disclosures	113
3.6.1.3	Use of Descriptive Statistics, Parametric and Non-parametric Tests	114
3.6.1.4	Corporate Reporting Disclosures and Associated Company Factors: Econometric Models of Analysis	115
3.6.1.4.1	Introduction and Panel Data	115
3.6.1.4.2	The Measurement of the Constructs for Independent Variables	115
3.6.1.4.3	Principal Component Analysis (PCA)	116
3.6.1.4.4	Testing for Multicollinearity	118
3.6.1.4.5	Testing for Autocorrelation and Heteroskedasticity.....	118
3.6.1.4.6	Data Analysis Using Pooled OLS and Between Group and Within Effects (Time)	119
3.6.1.4.7	Static Panel Econometric Data Models: Fixed Effects and Random Effects Models	121
3.6.1.4.8	Dynamic Panel Data Models	123
3.6.2	Integrated Reporting Disclosures and Company Factors and Other Disclosures	126
3.6.2.1	Integrated Reporting Disclosure Checklist	126
3.6.2.2	Awarding of the Scores	126

3.6.2.3	Use of Descriptive Statistics and Non-parametric Tests.....	126
3.6.2.4	Integrated Reporting Disclosures and Associated Company Factors: Econometric Models of Analysis	127
3.6.2.5	Use of Correlation Analysis for all Variables	127
3.6.3	Perceptions of Preparers, Regulators and Users	127
3.6.3.1	Perceptions of Preparers from the Questionnaire.....	127
3.6.3.2	Perspectives of Regulators and Users (analysts) from Interviews	128
3.7	Reliability and Validity of Data Collection and Data Analysis.....	128
3.7.1	Introduction	128
3.7.2	Reliability of Data Collection and Data Analysis.....	129
3.7.3	The validity of Data Collection and Data Analysis.....	132
3.8	Key Ethical Issues and How They Were Managed.....	134
3.8.1	Introduction	134
3.8.2	Exposure of Research Participants to any Form of Harm.....	134
3.8.3	Informed Consent of Participants.....	134
3.8.4	Confidentiality of Participants and Information.....	134
3.8.5	Honesty and Transparency in Obtaining and Analysing Data	135
3.9	Summary of the Chapter	135
4	CHAPTER FOUR.....	137
	FINDINGS AND RESULTS	137
4.1	Introduction.....	137
4.2	Companies Analysed, Annual Reports and Disclosures in Companies Websites	137
4.2.1	Companies Analysed in the Study.....	137
4.2.2	Availability of Corporate Information from Companies' Websites	138
4.3	IFRS, Sustainability and Corporate Governance Disclosures	140
4.3.1	Descriptive Statistics.....	140
4.3.2	Other descriptive and Bivariate analysis	142
4.3.2.1	Descriptive statistics for scores and company variables and constructs	142
4.3.2.2	Correlation Analysis for Company Variables and Constructs	147

4.3.3	Multivariate and Econometric analysis of IFRS, Sustainability and Disclosures Scores with Associated Company Factors.....	148
4.3.3.1	IFRS Disclosure Scores and Relationship with Company Factors: Econometric Analysis.....	148
4.3.3.1.1	IFRS Disclosure Scores and the Associated Company Factors: Pooled OLS Econometric Models.....	153
4.3.3.1.2	IFRS Disclosure Scores: Static Panel Data Models of Fixed Effects and Random Effects Models.....	155
4.3.3.1.3	IFRS Disclosure Scores: Dynamic Panel Data Econometric Models	158
4.3.3.2	Sustainability Disclosure Scores and the Relationship with the Associated Company Factors.....	159
4.3.3.2.1	Sustainability Disclosure Scores: Static Econometric Models of Random Effects	159
4.3.3.2.2	Sustainability Disclosure Scores: Dynamic Econometric Models	161
4.3.3.3	Corporate Governance Disclosure Scores and Relationship with Associated Company Factors.....	162
4.3.3.3.1	Static Panel Data Models: Random Effects Models for Corporate Governance Disclosure scores.....	162
4.3.3.3.2	Corporate Governance Disclosure Scores: Dynamic Panel Data Econometric Models.....	164
4.4	Integrated Reporting Disclosures.....	165
4.4.1	Introduction	165
4.4.2	Integrated Reporting Disclosure Scores: Levels, Trends and Descriptive Statistics	165
4.4.2.1	Integrated Reporting Disclosure Scores: Levels and Trends	165
4.4.2.2	Integrated Reporting Disclosure Scores: Descriptive Statistics	166
4.4.2.3	Integrated Reporting Disclosure Scores: Levels and Trends by Sector	168
4.4.2.4	Integrated Reporting Disclosure Scores and Relationship with Associated Company Factors.....	168
4.4.2.4.1	Integrated Reporting Disclosure Scores: Static Econometric Models of Random Effects.....	168
4.4.2.4.2	Dynamic Panel Data Models for Integrated Reporting Disclosure Scores	170
4.5	Perspectives of Preparers, Regulators and Users	172

4.5.1	Perspectives of Preparers	172
4.5.1.1	Company Features for Preparers.....	172
4.5.1.2	Preparers' Perspectives on Current Reporting Practices	173
4.5.1.3	Preparers' Perspectives on Integrated Reporting	177
4.5.2	Perspectives of Regulators	189
4.5.2.1	Introduction.....	189
4.5.2.2	Regulators' Perspectives on Current Reporting Practices ..	190
4.5.2.3	Regulators' Perspectives on Integrated Reporting	191
4.5.3	Perspectives of Users (Analysts).....	194
4.5.3.1	Introduction and Background on Users	194
4.5.3.2	Users' Perspectives on Current Reporting Practices.....	195
4.5.3.3	Users' Perspectives on Integrated Reporting	198
4.6	Summary of the Chapter	202
5	CHAPTER FIVE	204
	DISCUSSION OF THE FINDINGS AND RESULTS	204
5.1	Introduction.....	204
5.2	IFRS, Sustainability and Corporate Governance Disclosures	204
5.2.1	Levels and Trends in IFRS, Sustainability and Corporate Governance Disclosures.....	204
5.2.2	IFRS, Sustainability and Corporate Governance Disclosures and associated company Features.....	209
5.3	Integrated Reporting Disclosures and Associated Company Features	216
5.3.1	Integrated Reporting Disclosure Scores: Levels, Trends and Descriptive Statistics	216
5.3.2	Integrated Reporting Disclosure Scores and Associated Company Factors	217
5.3.3	Summary Discussion on IFRS, Sustainability, Corporate Governance, and Integrated Reporting Disclosures.....	221
5.3.3.1	Corporate Reporting Levels, Trends and Descriptive Statistics	221
5.3.3.2	IFRS, Sustainability, Corporate Governance and Integrated Reporting Disclosures by Sector.....	221
5.3.3.3	IFRS, Sustainability, Corporate Governance, and Integrated Reporting Disclosures and the Associated Company Factors.....	222

5.4	Perspectives of Preparers, Regulators and Users	225
5.4.1	The Perspectives of Preparers.....	225
5.4.2	The Perspectives of Regulators.....	228
5.4.3	The Perspectives of Users (Analysts)	229
5.4.4	Overall Perspectives of Preparers, Regulators and Users.....	231
5.5	A Discussion on Other Emergent Findings and Results	233
5.5.1	Listed Companies and Information Reported in the Websites ...	233
5.5.2	Results of Variables and Constructs from PCA, Multicollinearity Test and Correlation Analysis	234
5.5.3	Descriptive Statistics for all Company Variables and Disclosures 236	
5.5.4	Perspectives of Preparers, Regulators and Users on the Way forward for Corporate Reporting in Kenya	238
5.6	Summary of the Chapter	238
6	CHAPTER SIX	240
	CONCLUSION AND RECOMMENDATION	240
6.1	Introduction.....	240
6.2	Significance of the findings and Contribution to Knowledge.....	240
6.2.1	Empirical Literature	240
6.2.2	Company factors and Integrated Reporting Disclosures.....	241
6.2.3	Theoretical Literature	241
6.2.4	Methodology.....	241
6.2.5	Policy and Research	242
6.3	Limitations of the Research	242
6.3.1	Introduction	242
6.3.2	Timing of the Study.....	242
6.3.3	Scope Based on Time.....	242
6.3.4	Research Methods and Tools Applied in the Study	243
6.3.5	Limitations on the use of Disclosure Indices in Awarding Scores 243	
6.3.6	Limitations of Panel Data Econometric Models.....	244
6.3.7	Overlaps in Disclosures of IFRS, Sustainability and Corporate Governance.....	244
6.4	Recommendations for Further Research.....	245

6.4.1	Introduction	245
6.4.2	Additional Units of Study (Population).....	245
6.4.3	Quality of Integrated Reporting by Adopters	245
6.4.4	Application of Alternative Research Methods and Tools.....	246
6.4.5	Obtaining Perspectives of Other Stakeholders.....	246
6.4.6	Additional Themes for Corporate Reporting and Integrated Reporting	246
6.5	The Conclusion and Way Forward	247
REFERENCES.....		249
APPENDIX.....		I
Appendix A: First Prototype of the International Integrated Reporting Framework.....		I
Appendix B: Second Prototype of the International Integrated Reporting Framework.....		II
Appendix C: Consultation Draft of the International Integrated Reporting Framework.....		III
Appendix D: The International Integrated Reporting Framework		IV
Appendix E: Questionnaire to Listed Companies		VIII
Appendix F: Questionnaire to Listed Companies Piloted		XX
Appendix G: Email to Participants for Online Questionnaire.....		XXIX
Appendix H: Interview Guide for Regulators.....		XXX
Appendix I: Interview Guide for Analysts		XXXI
Appendix J: Companies Listed on the Nairobi Securities Exchange		XXXIV
Appendix K: List of Equity Analysts		XXXVI
Appendix L: IFRS Disclosure Checklist- Summary of IFRSs		XXXVII
Appendix M: Disclosure Checklist for Sustainability Reporting.....		XXXVIII
Appendix N: Corporate Governance Checklist		XLI
Appendix O: Integrated Reporting Checklist		XLII
Appendix P: Letter of Introduction to Research Participants		XLIV
Appendix Q: Letter of Ethical Approval to conduct research		XLV
Appendix R: Permission to conduct research by NACOSTI		XLVI
Appendix S: Informed Consent for Participants		XLVII

LIST OF TABLES

Table 2.1 Benefits and Limitations of Integrated Reporting to a Preparer	17
Table 2.2 Benefits and Limitations of Integrated Reporting to Investors	18
Table 2.3 Benefits and Limitations of Integrated Reporting to Regulators	19
Table 2.4 The Concept of Value to Several Stakeholders	29
Table 2.5 Key Statistics for the Equity Market in Kenya	38
Table 2.6 Summary of Reports and Other Disclosures for NSE - Listed Companies Required by the Law	43
Table 2.7 Key Regulators of NSE – Listed Companies and the Reports and Disclosures Required	51
Table 2.8 Summary Theoretical Disclosures for Corporate Reporting	53
Table 2.9 Classification of Disclosure Theories: Interpretive, Normative and Positive Views	55
Table 3.1 Difference between Positivist and Post-Positivist Paradigms of Research	99
Table 3.2 Summary Action on Pilot Questionnaire	108
Table 3.3 Variables and constructs Selected Directly from the Annual Reports	116
Table 3.4 Constructs for Independent Variables of the Study Computed from Companies’ Data	116
Table 4.1 Summary of NSE Listed Companies Awarded Scores	138
Table 4.2 Number of Years of Annual Reports in the NSE Listed Companies’ Websites	139
Table 4.3 IFRS, Sustainability and Corporate Governance Summary Descriptive Statistics	140
Table 4.4 IFRS, Sustainability and Corporate Governance Disclosures by Sector	141
Table 4.5 Summary Descriptive Statistics for Disclosures Scores	143
Table 4.6 Summary Descriptive Statistics for Size and Profitability Variables	144
Table 4.7 Summary Descriptive Statistics for Leverage and Growth Opportunity Variables	145
Table 4.8 Summary Descriptive Statistics for Board Size, Board Composition, Age and Block Shareholding	146
Table 4.9 Correlation Analysis for Disclosure Scores and Company Factors	147
Table 4.10 KMO and Bartlett’s Tests for PCA Suitability	149

Table 4.11 Eigen Values and Correlation for Constructs that Measure Size...	149
Table 4.12 Eigen Values and Correlation for Constructs that Measure Profitability	150
Table 4.13 Eigen Values and Correlation for Constructs that Measure Growth Opportunities	150
Table 4.14 Variables and Constructs Remaining after Principal Component Analysis	151
Table 4.15 Variance Inflation Factors and Tolerance Levels	151
Table 4.16 Revised Variance Inflation Factors and Tolerance Levels	152
Table 4.17 IFRS Disclosure Scores and Associated Company Factors Pooled OLS Summary Results	154
Table 4.18 Summary of Poolability Test for IFRS Disclosure Scores	155
Table 4.19 IFRS Disclosure Scores and Associated Company Factors Fixed Effects Model Results	156
Table 4.20 IFRS Disclosure Scores and Associated Company factors Random Effects Summary Results	157
Table 4.21 IFRS Disclosure Scores and Associated Company Factors Dynamic Models Summary Results	159
Table 4.22 Sustainability Disclosure Scores and Associated Company Factors Summary Random Effects Models Results	160
Table 4.23 Sustainability Disclosure Scores and Associated Company Factors Dynamic Models Summary Results	161
Table 4.24 Corporate Governance Disclosure Scores and Associated Company Factors Random Effects Models Summary Results	163
Table 4.25 Corporate Governance Disclosures Scores and Associated Company Factors Dynamic Models Summary Results	164
Table 4.26 Integrated Reporting Adopters By 2016	165
Table 4.27 Summary Statistics for Integrated Reporting Disclosure Scores..	166
Table 4.28 Normality Test Results for Integrated Reporting Disclosure Scores	167
Table 4.29 Greenhouse -Geisser Correction ANOVA Summary Results for Integrated Reporting Disclosure Scores	167
Table 4.30 Integrated Reporting Disclosure Scores by Sector	168
Table 4.31 Integrated Reporting Disclosures Scores and Associated Company Factors Random Effects Model Summary Results	169
Table 4.32 Integrated Reporting Disclosure Scores and Associated Company Factors Dynamic Econometric Models Summary Results	171

Table 4.33 Summary of Company Positions Held by Respondents	172
Table 4.34 Summary by Sector of Questionnaire Respondents	173
Table 4.35 Key Factors that May Influence NSE Companies to Adopt Integrated Reporting.....	186
Table 4.36 Barriers to NSE Companies Adopting Integrated Reporting.....	187
Table 4.37 Integrated Reporting Factors and Barriers - Summary Principal Component Analysis.....	187
Table 4.38 Analysts' Suggestions on Mandatory and Voluntary Non-Financial Information	200
Table 4.39 Summary of Comments by Users (analysts) on Corporate Reporting	202
Table 5.1 Summary of Key Areas of Non-disclosure of Sustainability Matters	207
Table 5.2 IFRS Disclosure Scores and Associated Company Factors Summary Econometric Models Results	210
Table 5.3 Sustainability Disclosure Scores and the Associated Company Factors Summary of Econometric Models Results	212
Table 5.4 Corporate Governance Disclosure Scores and the Associated Company Factors Summary Econometric Models Results.....	214
Table 5.5 Integrated Reporting Disclosure Scores and the Associated Company Factors Econometric Models Summary Results.....	218
Table 5.6 Summary of Corporate Reporting Disclosure Scores and Rankings by Sector.....	222
Table 5.7 Summary Hypotheses and Conclusions	223
Table 5.8 Summary of Corporate Reporting Disclosure Scores and Association with Company Factors.....	224
Table 5.9 Summary Feedback from Preparers, Regulators and Users.....	232
Table 5.10 Summary Results of Principal Component Analysis and Multicollinearity Tests on Variables and Constructs.....	235

LIST OF FIGURES

Figure 2.1 Key Stages of Integrated Reporting (Source, Author)	20
Figure 2.2 Summary Integrated reporting Framework (Source: IIRC, 2013)	21
Figure 2.3 The Capitals, Adapted from the Integrated Reporting Framework (IIRC, 2013).....	30
Figure 2.4 Value Creation Process (Source: IIRC, 2013)	31
Figure 2.5 Summary Business Model (Compiled from Integrated Reporting Framework, 2013).....	33
Figure 2.6 Capital Market Products and Structure in Kenya (Source: CMA, 2017)	37
Figure 2.7 The Summary Conceptual Framework.....	94
Figure 3.1 Cronbach's Alpha for Question 23	130
Figure 3.2 Cronbach's Alpha for Question 25	131
Figure 3.3 Cronbach's Alpha for Question 25 revised.....	131
Figure 3.4 Cronbach's Alpha for Question 29	132
Figure 3.5 Cronbach's Alpha for Question 31	132
Figure 4.1 Type of Non-Financial Information in NSE Listed Companies' Websites	139
Figure 4.2 Flow Chart of Multivariate, Diagnostics and Econometric Analysis	148
Figure 4.3 Trends in Integrated Reporting Disclosure Scores by NSE Listed Companies.....	166
Figure 4.4 Summary Response on whether Sustainability Reports should be Mandatory.....	174
Figure 4.5 Factors Influencing Corporate Disclosures and the Quality of Reporting.....	175
Figure 4.6 Summary Response about gaps in Current Reporting Practices ..	175
Figure 4.7 Summary Response on whether there are Challenges with Current Reporting Practices	176
Figure 4.8 Status of Integrated Reporting Awareness by Respondents	177
Figure 4.9 Summary Comments on Participants' Experience with the Adoption of Integrated Reporting.....	178
Figure 4.10 Summary Responses on whether the Company Prepares an Integrated Report and if so if Separate or Combined with Other Reports	180

Figure 4.11 Summary Responses on the Relevance of Integrated Reporting Capitals to a Company.....	181
Figure 4.12 Summary Responses on the Extent to which the Integrated Reporting Principles are Achievable	182
Figure 4.13 Summary Responses on The Extent to which Integrated Reporting Content Elements are Acceptable.....	183
Figure 4-14 Likelihood of Integrated Reporting Content Elements Providing Competitively Harmful Information	184
Figure 4.15 Wilcoxon Signed Rank Test Results for Elements Providing Competitive Harm	185
Figure 4.16 Summary Comments on why Integrated Reporting will Improve the Quality of Corporate Reporting	188
Figure 4.17 A Sample of an Equity Selection Stock Screen Used by a Participant’s Firm.....	197

LIST OF ABBREVIATIONS

AIRC	Africa Integrated Reporting Council
AMREF	Africa Medical Research and Education Fund
ANOVA	Analysis of Variance
AR	Autoregressive
CBK	Central Bank of Kenya
CDSC	Central Depository and Settlement Corporation
CFO	Chief Finance Officer
CIMA	Chartered Institute of Management Accountants
CMA	Capital Markets Authority
CoY	Company of the Year
CSR	Corporate Sustainability Reporting
EGX	Egypt Stock Exchange
ESG	Environmental Social and Governance
FAS	Financial Accounting Standards
FiRE	Financial Reporting Excellence Awards
GCC	Gulf Co-operation Council
GCI	Global Competitiveness Index
GMM	General Method of Moments
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICPAK	Institute of Certified Public Accountants of Kenya
ICPSK	Institute of Certified Public Secretaries of Kenya
IESRC	Institutional Ethics and Scientific Review Committee
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
INTOSAI	International Organization of Supreme Audit Institutions
IoDSA	Institute of Directors of South Africa
IRA	Insurance Regulatory Authority
KAS	Kenya Accounting Standards
KMO	Kaiser-Meyer-Olkin
KNBS	Kenya National Bureau of Statistics
K-S	Kolmogorov-Smirnov
LSDV	Least Squares Dummy Variable
MDA	Management Discussion and Analysis
NACOSTI	National Commission for Science, Technology and Innovation
NSE	Nairobi Securities Exchange
OECD	Organization of Economic Cooperation and Development
OLS	Ordinary Least Square
PCA	Principal Component Analysis
PSASB	Public Sector Accounting Standards Board
PwC	Price Waterhouse Coopers
ROA	Return on assets

ROE	Return on Equity
ROIC	Return on Invested Capital
SAICA	South Africa Institute of Chartered Accountants
SEC	Securities and Exchange Commission
SESRC	Strathmore Institutional Ethics and Scientific Review Committee
SME	Small and Medium Sized
SPSS	Statistical Package for the Social Science
S–W	Shapiro - Wilk
UK	United Kingdom
UN	United Nations
VIF	Variance Inflation Factor
VRF	Value Reporting Framework
WEF	World Economic Forum

1 CHAPTER ONE

INTRODUCTION

1.1 Background

Corporate reports provide useful information to various stakeholders to support decision-making and to promote an efficient capital market (Healy & Palepu, 2001; Bushman, Engel, Milliron, & Smith, 2001). Stakeholders include investors, customers, suppliers, and regulators. For example, investors make decisions about holding, buying and/or selling securities of a company such as shares and bonds; while regulators require companies to make useful disclosures in corporate reports to support regulation and create an enabling environment for investors and other stakeholders (Whittington, 1993; Christian & Leuz, 2010).

Such disclosures comprise financial information and non-financial information. Financial information is presented in financial statements that are guided by accounting standards such as the International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB). This information includes revenues, profits, assets, liabilities, capital, and cash flows (Bushman & Smith, 2001).

Erkens, Paugam and Stolowy (2015) conducted an extensive analysis of corporate disclosures to distinguish non-financial information from financial information. The authors propose that non-financial information comprises narratives that support the items appearing on the face of the financial statements, other information such as management discussion and analysis, social and environmental reporting. IASB explains that narratives that support the items appearing on the face of financial statements are part of financial information (IASB, 2016). This means other information should be classified as non-financial information.

For this study, non-financial information is any other information provided by a company consisting of sustainability reporting (environmental and social responsibility) and corporate governance reporting. Management discussion is usually required by corporate governance codes. For Kenya's listed companies, management discussion is part of the chairman and managing director's reports. IASB also provides additional guidance on the preparation of management discussion referred to as Management Commentary (IASB, 2014). However, there are some subtle overlaps between financial, sustainability and corporate governance. For example, some environmental costs are expensed as part of financial information but disclosed in financial statements. As explained in limitations of the study, majority of disclosures in each for

IFRS, sustainability and corporate governance are unique and therefore, based on empirical literature can be classified according to relevance.

Primarily, corporate reporting focused on financial information, which precipitated criticisms from stakeholders. First, financial information lacks value relevance; there is little relationship between the accounting/book value of a company and its market value (Chang, 1999). Second, stakeholders cannot evaluate the impact of an organization's activities on society and the environment (Dhaliwal, Li, Tsang, & Yang, 2011). Sustainability matters are very important and are being championed by global bodies such as the United Nations (UNEP, 2018). Similarly, stakeholders cannot evaluate if the company is practicing good corporate governance (OECD, 1999). Financial information is therefore criticized for lacking value relevance and other information to evaluate the sustainability and corporate governance matters.

As a result, stakeholders are making efforts to enrich corporate reporting with non-financial information which has seen the growth of sustainability reporting (environmental and social responsibility) and corporate governance reporting. Environmental reports provide information about the impact of a company's activities on the environment such as pollution and the use of energy and water (INTOSAI's Working Group on Environmental Auditing, 2001). Social responsibility reporting provides information about the impact of a company's activities on society, such as customer and employee safety (Fortanier, Kolk, & Pinkse, 2011). The Global Reporting Initiative (GRI), an international not-for-profit organization, develops and promotes sustainability reporting guidelines. In the late 1990s, the Organization of Economic Cooperation and Development (OECD) issued the first principles that local regulators in countries can use to develop good corporate governance practices for companies to adopt. One of the principles of corporate governance is that of transparency, achieved through reporting aspects of performance, major shareholders, remuneration of key management personnel, risk management, and information about the board (OECD, 1999).

Despite stakeholders' efforts to improve non-financial information reporting, these reports are prepared separately. This has led to proposals to link financial and non-financial information from various authors. First, Elkington (1998) recommended Triple Bottom Line or 'The Three Ps', being Profit (economic value), People (society) and Planet (environment). Second, the concept of integrated reporting was introduced in the late 1990s, with more attention in the 2000s. Therefore, the focus for corporate reporting is on how to link financial and non-financial information, using Triple Bottom Line and integrated reporting. This study, however, focused on corporate reporting practices and integrated reporting.

The journey to integrated reporting officially commenced in 2010 by the formation of the International Integrated Reporting Council (IIRC, 2010). The IIRC launched the International Integrated Reporting Framework in December 2013 (IIRC, 2013). This is referred to as the Framework. The Framework defines an integrated report as: “a concise communication about how an organization’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term”. (IIRC, 2013, p. 7)

Also, the framework provides companies with the principles and contents of an integrated report. These principles are discussed in Chapter Two. The content also discussed further in Chapter Two includes the following: Organizational overview and external environment, Governance, Business Model, Risks and Opportunities, Strategy and Resource Allocation, Performance, Outlook, and the Basis of performance (IIRC, 2013). These content elements are reported in a way to demonstrate how the organization creates value. The definition and content of an integrated report suggest that companies link their financial and non-financial reports (sustainability and governance reports). The rationale for integrated reporting is that investors and other stakeholders recognize that financial performance and environmental, social, and governance performance are intertwined (Eccles & Serafeim, 2013).

The IIRC claims that various stakeholders including users/investors, preparers/companies, and regulators will benefit from integrated reporting. First, investors will focus on the future, Analyse risks and opportunities from an integrated report, which has a rich source of information. Second, by adopting integrated reporting, companies will identify risk and manage the business better (leading to a lower cost of capital), provide better non-financial information, and as a result, improve the relationship with all stakeholders. Third, regulators and policymakers will benefit from companies adopting integrated reporting due to enhanced transparency leading to better allocation of capital and management of sustainability issues (IIRC, 2010).

In support of IIRC above, Krzus (2011, p.276) expounds that:

‘Integrated reporting will be judged on whether its principles and framework drive the development of sustainable business strategies and integrated thinking and decision-making. If successfully implemented around the world, integrated reporting will advance the urgent vision for the business to create value for both the company and society, thereby contributing to lasting prosperity on a healthy planet.

Advocates of integrated reporting view it as an improvement to corporate reporting, given the benefits discussed above. Hence, IIRC, working together with local and global regulators, encourages countries and companies to adopt integrated

reporting. At present, the only country known to have mandated integrated reporting is South Africa (SAICA, 2010). In Africa, we have the Africa Integrated Reporting Committee (AIRC) championing the adoption of integrated reporting (AIRC, 2017). In 2016, the Capital Markets Authority (CMA), as part of its strategy to improve capital markets in Kenya, issued revised corporate governance guidelines with one of the recommendations for public companies to voluntarily adopt integrated reporting.

However, in encouraging companies to adopt integrated reporting, IIRC and CMA need to consider several issues which include, but not limited to, heterogeneous contextual situations for economies and capital markets, varying levels and trends of disclosure of financial and non-financial information, different company factors that may influence the adoption of integrated reporting and also divergent perspectives of key/primary stakeholders such as preparers, regulators and users regarding corporate reporting disclosures and integrated reporting.

Given the different country situations such as emerging and developed economies, there is no empirical evidence on the level of preparedness and readiness to adopt integrated reporting. Emerging economies like those of Kenya, Egypt, and Nigeria have capital markets that are growing but less efficient in terms of equity prices (Urban & Hwindingwi, 2016). Emerging economies have other challenges ranging from the unstable macro-economic environment to weak capital market regulation (Sigh, 1999). Less efficient capital markets, unstable macro-economic, and weak capital market regulation may be a barrier to the adoption of integrated reporting but may also present opportunities for the adoption of integrated reporting in emerging markets like Kenya. For example, if capital markets are still growing, it may mean that the levels of corporate reports and the extent of use of the corporate annual reports may be low. Nevertheless, the adoption of integrated reporting may improve the quality of the annual reports in these markets, with useful and important disclosures.

In terms of corporate reporting disclosures, there is vast empirical literature on disclosure levels and compliance with IFRS and the associated company factors (see Shehu & Masunda, 2015), disclosures of sustainability matters and company factors (See Dienese, Sassen & Fischer, 2016) and disclosure levels of corporate governance with associated company factors (Ben-Amar & Boujenoui, 2007). In Kenya, based on the available literature, some studies have focused on the quality of reporting and disclosures of non-financial information. Barako, Hancock and Izan (2006) investigated the factors influencing voluntary disclosures by companies listed on the NSE. McFie (2010) also examined the quality of financial and non-financial information in the corporate reports of NSE listed companies. As will be expounded in Chapter Two on the empirical literature, the majority of these studies are cross-sectional and focus on

qualities and levels of disclosures. Some questions arise: What are the levels and trends of disclosures of financial and non-financial information? What are the specific company factors that are associated with these trends and levels? Are these trends and levels sufficient for integrated reporting? Are the company factors that are associated with the levels and trends for IFRS, sustainability, and corporate governance disclosure similar? These questions are important, because, their answers may give a rationale as to whether, listed companies in Kenya are ready to adopt integrated reporting.

The literature on integrated reporting is growing. Some studies have considered company factors that may influence the adoption of integrated reporting in different countries (Jensen & Berg, 2012; Deloitte, 2012; Kass, 2012; Stubbs & Higgins, 2014; Ahmed Haji & Hossain, 2016). Other studies have considered the challenges and opportunities of adopting integrated reporting (Stubbs & Higgins, 2012; Steyn, 2014) and some obtained the perspectives of preparers (IIRC, 2012; Steyn, 2014) and users (Gasperini, Bigotto & Doni, 2013; Slack & Tsalavoutas, 2018) and other stakeholders like academicians (Adhariani & de Villiers, 2019). These studies have focused on developed markets like South Africa, Australia, Canada, and Italy. Are these findings the same and relevant in an emerging market like Kenya? What company factors are relevant to the adoption of integrated reporting in Kenya? Are these factors the same as those that influence the disclosures of financial and non-financial information? Are the perspectives of the preparers and users the same given the different country contexts? What are the perspectives of regulators on current and integrated reporting?

To obtain answers to the above questions, the study aimed to establish the levels and trends of corporate reporting disclosures of both financial and non-financial information and relationship with company features, the extent to which these disclosures meet the requirements for integrated reporting framework and the associated company factors. Besides, the study obtained and evaluated the perspectives of the primary stakeholders, being the preparers, regulators and users on current reporting practices and disclosures, and on integrated reporting.

1.2 Statement of the Research Problem

Given that corporate reporting aids various stakeholders in decision making; stakeholders, both globally and locally, are continuously making efforts to ensure adequate disclosures of both financial and non-financial information in the corporate reports. The IIRC is promoting the global adoption of integrated reporting based on the

benefits highlighted in section 1.1. In Kenya, CMA, looking towards strengthening the capital markets in Kenya, issued new corporate governance guidelines in 2016 that encourage NSE listed companies to adopt integrated reporting but voluntarily. Also, CMA is working together with other regulators more specifically the Institute of Certified Public Accountants of Kenya (ICPAK) and NSE to promote the adoption of integrated reporting in the annual Financial Reporting Excellence (FiRe) Award. These efforts by CMA and other regulators demonstrate that integrated reporting has gained acceptance in Kenya from a section of the regulators.

Integrated reporting is considered an improvement to corporate reporting because, currently the non- financial information contained in corporate reports is not well integrated with financial information, and “is rarely presented in the context of the business model and the strategy of an organization” (Eccles & Serafeim, 2013, p. 5). According to Kurzus (2011), current corporate reporting models do not address key issues that affect and will continue to affect investors in the future such as social, environmental, and governance matters despite past corporate scandals and the financial crisis of 2008.

However, despite the recommendations by various regulators in Kenya for companies to adopt integrated reporting, there is no empirical evidence that the current disclosures of financial information, sustainability, and corporate reporting are sufficient. Also, the perspectives of key stakeholders being preparers, the regulators of NSE listed companies and the users of the NSE listed annual reports are relevant. Therefore, without evaluating the trends and levels of disclosures, it may be difficult to know if the disclosures are sufficient in readiness for integrated reporting. Besides, without the perspectives of preparers, regulators and users, it may be a challenge to know whether integrated reporting should be adopted; and if adopted, what factors and barriers need to be overcome to make adoption of integrated reporting easier.

From an emerging market perspective, the current study aimed to contribute to the growing literature by establishing the readiness of listed companies to adopt integrated reporting and the perspectives of a section of stakeholders. First, the study analysed the levels and trends of financial and non-financial information disclosures (specifically sustainability and corporate governance) and the associated company factors. Secondly, the study sought to determine the extent to which current disclosures achieve integrated reporting requirements and the associated company factors. Finally, the study sought the perception of preparers, regulators, and users on the adequacy of corporate reporting practices and the adoption of integrated reporting by NSE listed companies.

1.3 Research Objectives and Questions

The main purpose of this research was to establish the levels and trends of financial and non-financial disclosures by listed companies in Kenya in readiness for integrated reporting adoption and obtain the perspectives of preparers, regulators, and users on current and integrated reporting.

The specific objectives were as follows:

1. To establish the levels and trends in corporate reporting disclosures of IFRS for financial information, sustainability reporting, and corporate governance and the company factors associated with these disclosures.
2. Establish the levels and trends in integrated reporting disclosures of Integrated Reporting and the company factors associated with these disclosures.
3. To explore the perceptions of preparers, regulators, and users on current reporting practices¹ and integrated reporting.

The research questions that arise from these objectives can be further Analysed as follows:

Objective 1

1. What are the levels and trends of disclosures of IFRS?
2. What are the levels and trends of GRI sustainable guidelines?
3. What are the levels and trends of OECD corporate governance guidelines?
4. What Company factors are associated with IFRS Disclosures?
5. What Company factors are associated with Sustainability Disclosures?
6. What Company Factors are associated with Corporate Governance Disclosures?

Objective 2

1. What are the levels and trends of disclosures of Integrated Reporting?
2. What are the company factors associated with Integrated Reporting Disclosures?

Objective 3

1. What are the perspectives of preparers on current disclosure practices and integrated reporting?

¹ Here current reporting practices mean disclosures of IFRS, Sustainability and Corporate Governance

2. What are the perspectives of regulators on current disclosure practices and on integrated reporting?

3. What are the perspectives of users on current reporting practices and on integrated reporting?

1.4 Contribution to Knowledge

The study aimed to contribute to existing literature and policy in several ways. First, stakeholders consider integrated reporting as a recent innovation in corporate reporting, with several opportunities for research (Villiers et al., 2014). Studies done on integrated reporting have focused on the quality of integrated reporting and in several countries: Steyn (2014) in South Africa, Stubbs and Higgins (2012 & 2014) in Australia, Hao (2014) in Canada, van Bommel (2014) in the Netherlands, and Gasperini (2013) in Italy. Some studies have focused on the perspectives of stakeholders on integrated reporting (Steyn, 2014), while others have focused on factors that drive integrated reporting (Frias-Aceituno, Rodríguez-Ariza, & García-Sánchez, 2014). This research obtained the perspectives of preparers, regulators, and users in Kenya on the current reporting practices in preparation to adopt integrated reporting.

Second, the empirical literature has focused on preparers of an integrated report i.e. those companies that have already adopted integrated reporting. This research focused on listed companies in Kenya that have already adopted and those in the process of adoption following the recommendation by CMA. As per the findings, a few listed companies have adopted integrated reporting, while others are yet to, but probably considering adopting integrated reporting. The study, therefore, aimed to contribute to the literature by identifying company factors (such as size and profitability) that may be associated with the adoption of integrated reporting.

Third, on local studies, the first one by Barako et al. (2006) evaluated voluntary disclosures of listed companies for the years 1992 to 2001. In addition, McFie (2010) evaluated the quality of financial reporting of listed companies in the year 2002. Since then, it would be useful to evaluate the recent developments in corporate reporting by looking at both financial and non-financial information and identify the progress made in corporate reporting in Kenya and the extent to which NSE listed companies are ready for integrated reporting. Even though the study of McFie (2010) was cross-sectional, the current study focused developments in corporate reporting since the discussions on integrated reporting commenced in 2010. The study expounded on these local studies within the context of integrated reporting.

Fourth, the research presents empirical evidence on the disclosures made by NSE listed companies and the extent to which integrated reporting can be achieved by companies from multiple theoretical perspectives (four key disclosure theories). First, under the agency theory, various users expect companies to disclose more information so that management (the agent) can allow for effective supervision by shareholders (the principal) and as a result reduce agency costs (Jensen & Meckling, 1976). Second, the stakeholder theory, where a company is expected to act for the benefit of all stakeholders, hence corporate reporting and disclosures are used to give evidence of the company doing so (Freeman, 1984). Third, the legitimacy theory postulates that companies, by providing voluntary information on such matters as the impact of the company on the society and environment, justify their legitimacy to exist (Suchman, 1995). Finally, the Signalling theory posits that companies prepare and present annual reports and make other disclosures to signal different aspects of the organization such as performance and social responsibility (Ross, 1977). This objective aimed to contribute to the theoretical discourse on whether integrated reporting should be considered from a single or multiple theory position, given the findings.

Fifth, the study contributed to methodology, by utilizing recent econometric models for panel data analysis. As detailed in Chapter Three, empirical studies commonly applied regression methods such as Pooled Ordinary Least Squares (OLS), multiple regression for cross-section data, and other multivariate models. Chapter Four discusses the relevance and the reliability of data analysis using econometric models for panel data that account for both cross-sectional and trend characteristics of data. The main panel data methods are static and dynamic models. The models are gaining acceptance in accounting and finance, even though their origin is in economics. Static models consider differences across companies and time, as opposed to Pooled OLS. Dynamic data models Analyse potential relationships between the current period and prior period disclosures. The methods also provide for robust diagnostic tools to check the suitability of the models and enhance the validity and reliability of the findings.

Finally, the study highlights practical insights into the adoption of integrated reporting in the context of Kenya as an emerging market economy, with a developing capital market. By evaluating the current reporting practices and from the perspectives of three key stakeholders: preparers, regulators and users, using questionnaires and interviews, the study highlights key issues on integrated reporting in Kenya's listed companies, practical issues that face companies, regulators and other stakeholders in suggesting improvements to corporate reporting such as the adoption of integrated reporting.

1.5 Summary of the Research Methods

The study used a multi-method assumption of positivism and post-positivism (Gill & Jonson, 1997) for the philosophical paradigm and mixed-method approach (Neuman, 2006). Positivism assumes that the world is knowable, research is objective, empirical and findings are statistically significant and generalizable, while post-positivism assumes that the world is ambiguous, research is subjective, and findings are qualitative (O'Leary, 2004). A qualitative study uses interviews and questionnaires; the theory is often inductive, and concepts tend to be generalized. On the other hand, quantitative studies are objective, a hypothesis is formulated, variables are conceptualized and systematically measured (Neuman, 2006). Positivism and quantitative approach applied to objectives 1 and 2 of the study i.e. establishing current reporting practices in light of integrated reporting while post-positivism and qualitative approach applied to objective 3 i.e. in obtaining the perspectives of preparers, regulators and users.

The population comprised of three groups: NSE listed companies, regulators, and users (analysts). Due to the few companies (65), regulators (6) and analysts (14), sampling was not used in the study. Primary sources (questionnaire and interviews) and secondary sources (annual reports) applied to data collection. In achieving objectives 1 and 2, scores were awarded based on checklists of various international benchmarks i.e. the IFRS for financial information, GRI for sustainability reporting, OECD for corporate governance disclosures, and the integrated reporting framework. Statistical software i.e. SPSS and Stata aided parametric/econometric tests and non-parametric tests to describe and infer the relationships among company features such as sector, age, size, and profitability with the scores. The scores were awarded over the seven years and data on company features also collected for the seven years, hence panel data. Panel data methods (static and dynamic) were therefore used to Analyse the data. In achieving objective 3, a semi-structured questionnaire was used for preparers, while semi-structured interviews were conducted for regulators and users (analysts).

1.6 Scope and Delimitations of the Study

The study used content analysis of the annual reports of listed companies on the NSE, which are 65 on the main market segment, with financial years from 2010 to 2016. The reason for selecting listed companies is that their annual reports and other important information must be available to investors and other users for decision making. In addition, through regulation, they are expected to provide high quality

information to protect users. Even though an analysis could have been done on the development of corporate reporting in Kenya since 1999 when Kenya adopted IFRS, this study only looked at the last seven years between 2010 and 2016 as this period is sufficient to analyse the extent to which companies are prepared for integrated reporting. 2010 is also the year when the formal journey towards integrated reporting commenced. The study used a self-administered online questionnaire to obtain the views of preparers regarding current reporting and integrated reporting. Interviews and focus group discussions could have been an option to obtain information but time constraints and challenges of getting all the research participants at the same time made these options less feasible.

The study aimed to obtain the views of 6 regulators and 14 analysts. The regulators being: The Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Public Secretaries of Kenya (ICPSK), the Capital Markets Authority (CMA), the Nairobi Securities Exchange (NSE), the Central Bank of Kenya (CBK) and the Insurance Regulatory Authority (IRA) as they are all involved in enforcing and encouraging listed companies to present high quality financial and non-financial information. In the case of users, by early 2018, there were 14 equity analysts approved by CMA. Even though the population of users is infinite, the study used equity analysts who have the professional experience to carry out detailed investment analysis using corporate reports in selecting the companies to invest in.

1.7 Summary of the Chapter

Chapter One has presented and discussed the background of the research, research objectives and questions, problem statement, contribution to knowledge, summary of research methodology and scope of the study.

Corporate reporting is very important for companies to be accountable to various stakeholders ranging from investors, regulators and users as it allows informed decision making. The various stakeholders have made efforts to improve the contents of the annual report comprises financial and non-financial information. Non-financial information focuses mainly on sustainability and corporate governance. Attempts to blend financial and non-financial information has led to innovations such as integrated reporting. The IIRC and regulators in various countries are encouraging companies to adopt integrated reporting i.e. present the information in one report and ensure that they are all linked so that users can evaluate where the organization is creating value.

Efforts by IIRC, AIRC, and other regulators to encourage the global adoption of integrated reporting may require consideration of different country situations, the different levels, and trends in disclosure of financial and non-financial information besides other company factors, and also the perspectives of various stakeholders. Are companies in an emerging market like Kenya prepared to adopt integrated reporting?

Given this effort, the main objective of the study was to evaluate the levels of financial, sustainability and integrated reporting for listed companies in Kenya to assess preparedness to adopt integrated reporting, how these disclosures relate to integrated reporting and the views of preparers, regulators and users on current reporting and integrated reporting.

The study used content analysis of annual reports, interviews, and questionnaires to obtain the views of various stakeholders.

The remainder of the thesis is organized as follows from Chapter Two:

Chapter Two provides the literature review covering; The background of corporate reporting up to the conceptualization of integrated reporting; a discussion of the integrated reporting framework; Institutional context of Kenya (economic, capital markets and the corporate reporting regulatory framework for listed), Theoretical and empirical literature, hypothesis formulation for objectives 1 and 2 and the conceptual framework.

Chapter Three discusses the research methodology where the philosophical underpinnings of the research are discussed, the research design, the population, and the various data collection methods and tools, and how the data was Analysed.

Chapter Four provides the findings and results. The findings are presented in line with the three objectives, covering disclosures and the perspectives of preparers, regulators, and users. The results from the econometric models are also presented.

Chapter Five discusses the results and findings in Chapter Four. The chapter provides the major findings given the research objectives, relationship with prior studies, and the relevance of the findings, in addition to other emergent findings.

Chapter Six concludes with the significance of the findings and contribution to knowledge, limitations of the research, recommendations for further studies and the conclusion.

2 CHAPTER TWO

INSTITUTIONAL BACKGROUND

2.1 Introduction

Chapter One introduced the study. Chapter Two presents the literature review. The session begins with a highlight of the progress from financial to non-financial information in corporate reporting, the key stages of the development of integrated reporting, and an evaluation of the integrated reporting framework. Chapter Two also highlights Kenya's economic status and the capital markets and lastly, the regulatory framework of corporate reporting for listed companies.

The chapter is organized as follows:

Section 2.2 The progress from financial to non-financial information in corporate reporting

Section 2.3 Background development of integrated reporting and the Framework

Section 2.4 Institutional Context of Kenya

Section 2.5 Theoretical Framework

Section 2.6 Empirical Literature

Section 2.7 Conceptual Framework

Section 2.8 Summary of the Chapter

2.2 Brief Background on Corporate Reporting

Financial information dominated corporate reporting until the late 1980s and early 1990s. Financial information details important aspects of an organization such as revenues, profits, assets, liabilities, and capital/equity (Bushman & Smith, 2001). The provision of financial information is guided by accounting standards which can be country based (like in the US where we have Financial Accounting Standards – FAS) or global i.e. IFRS developed by International Accounting Standards Board (IASB).

Because of focusing on financial information, corporate reports were criticized for lacking value relevance to stakeholders (Chang, 1999) and excludes useful information such as sustainability (Dhaliwali et al., 2011) and corporate governance (OECD, 1999). Lack of value relevance is when the current market value of a company is not related to the accounting or book value of an organization. Financial information fails to provide information on non-financial assets, such as intangible assets (e.g. brands), customer information, human capital, and research and development, commonly referred to as intellectual capital (CIMA, 2001). Mangena et al. (2016),

argue that intangible assets are important for value creation in today's knowledge-based economy. For many companies, physical assets are not the most important assets in their value creation activities – intangible assets are. These assets are not captured by the financial reporting model leading to differences between the book values and market values of companies (Chang, 1999). The reporting of non-financial information such as intangibles helps provide additional valuable information to market participants and can bridge the gap between book values and market values. Also, some studies have shown that more disclosures of non- financial information, such as intellectual capital, results in a lower cost of capital for the company (Luft & Shields, 2001; Mangena et al., 2016). Companies are also under the obligation to disclose sustainability matters to account for their activities and their impact on society and the environment (Freeman, 1984; Dyllick & Hockerts, 2002). Finally, companies must practice good corporate governance to protect the interest of many stakeholders preparing corporate governance reports (Bouchez, 2007).

To address the above criticisms, stakeholders began to require organizations to present nonfinancial information. Despite vast empirical literature about non-financial information, there is no broad definition of non-financial information. One rationale approach used in this study was to identify the financial information provided by IASB. IASB explains that financial information comprises financial statements and other narratives supporting the information on financial statements (IASB, 2016). These narratives include a summary of significant accounting policies, a break-down of some of the information of the face of the financial statements such as the composition of revenue derived from several sources and other information not on the face of the financial statements such as proposed dividends. According to Erkens et al. (2015), other information that does not fall within the financial information is non-financial information. For example, sustainability reports and corporate governance reports. Corporate governance reports also comprise management discussion and analysis. In Kenya, the Chairman and Chief Executive's reports, are management discussion hence part of corporate governance reports. However, there are subtle overlaps in some classifications. For example, environmental costs are classified as both financial and sustainability. Having a sustainability committee in the board can be classified as corporate governance and sustainability. However, due to detailed guidelines for IFRS, Sustainability, and corporate governance, the overlaps do not invalidate the classifications as evidenced by empirical literature.

Ball (2004) explained that the initial steps towards non-financial information were the preparation of an environmental report in the 1980s. An environmental report provides information about the impact of a company's activities on the environment

and the action the company is taking to safeguard the environment (INTOSAI, 2001). The GRI promotes sustainability reporting and recommends disclosures of information such as the use of energy, water, and how the company is dealing with waste and pollution from its process among others in the environmental report.

Non-financial information was also improved with social responsibility reporting in the mid-1990s (Fortanier, Kolk, & Pinkse, 2011). Social responsibility reporting involves providing information on the impact of a company's activities on society and other actions that the company is taking to safeguard society (European Commission, 2011). The GRI also provides guidelines on social responsibility reporting. Social responsibility reporting and environmental reporting are combined in sustainability reporting.

Developments in corporate reporting continued in the late 1990s and early 2000s, with the focus shifting to linking financial information with non-financial information. First, Elkington (1998) came up with the concept of the Triple Bottom Line or 'The Three Ps', being Profit, People, and Planet. The Triple Bottom Line measures the economic value (profit), social responsibility (people), and the impact of a company's activities on the environment (planet). Second, the concept of integrated reporting was introduced in the late 1990s and momentum picked in the 2000s (PwC). Integrated reporting was launched in December 2013 by the IIRC, even though officially, the journey to integrated reporting commenced in 2010 (IIRC, 2013).

In summary, corporate reporting is very important for decision making, and no doubt, stakeholders will continuously suggest improvements. The short historical background to corporate reporting discussed here provides a reader with the initial ideas and the rationale for stakeholders recommending integrated reporting. Further justification is provided in Chapter Three, on the theoretical framework.

2.3 Stages in the Development of Integrated Reporting Framework

2.3.1 Development of the Integrated Reporting Framework

Integrated reporting history dates back to 1999 with the development of the Value Reporting Framework (VRF) by Price Waterhouse Coopers. The VRF initially covered four essential disclosures: Market overview, Strategy and structure, Managing for value, and Performance, all underpinned by relevant performance measures. The VRF was later updated to have the following sections: Market Overview, Strategy, Value-Creating Activities and Financial Performance (Value-Based Management, 2014).

In 2002, the Institute of Directors of Southern Africa (IoDSA) recommended listed companies in South Africa prepare an Integrated Sustainability Report through the King II code of corporate governance (IoDSA, 2002). In 2009, the IoDSA implemented the King III Code of Corporate Governance in South Africa (SAICA, 2010). The code required all listed companies to prepare an integrated report and use the principle of 'apply or explain'. Later in November 2016, the IoDSA replaced King III with a new version of King IV and improved the requirements of corporate reporting for listed companies. King IV still requires an integrated report for listed companies but this time companies must "apply and explain" instead of "apply or explain" (IoDSA, 2016). King IV came into effect in April 2017. A notable observation at this point is that South Africa was the first African country to make integrated reporting mandatory for listed companies. This was an improvement from King III which recommended improvements to sustainability reporting.

In August 2010, the Prince of Wales called for a meeting of investors, standard setters, companies, accounting bodies and United Nations (UN) representatives, the Prince's Accounting for Sustainability Project (A4S), the International Federation of Accountants (IFAC) and the GRI (IIRC, 2010). One of the main outcomes of the meeting was the establishment of the IIRC. The role of IIRC was to develop a framework to guide the preparation of an integrated report and raise awareness of integrated reporting to encourage, through various regulators, the adoption of integrated reporting (IIRC, 2010).

Following the first meeting in August 2010, another workshop on "Integrated Reporting: Frameworks and Action Plan" was held at the Harvard Business School in October 2010. The workshop made some important contributions to integrated reporting including suggestions on content elements. Several papers presented were organized into themes (represented as parts), that covered the role of the corporation in society, the concept of integrated reporting, the benefits of integrated reporting to companies, investors' perspectives, the importance of auditing, leveraging technology, better engagement, perspectives on an action strategy, action strategy tactics, lessons from experience, and final reflections.

In September 2011, the IIRC launched the integrated reporting Discussion Paper titled: 'Towards Integrated Reporting—Communicating Value in the 21st Century' (IIRC, 2011). The discussion paper proposed the rationale for integrated reporting, offering initial guidelines for the development of an Integrated Reporting Framework and outlined the next steps towards its creation and adoption. The purpose of the discussion paper was to prompt input from various stakeholders (IIRC, 2011).

The discussion paper defined integrated reporting and provided the rationale for integrated reporting. Also, the discussion paper defined a business model, provided the meaning of value creation, and introduced the six capitals, the guiding principles that underpin the preparation of an integrated report, the contents, benefits, and challenges of an integrated report.

Table 2.1 summarises the benefits and challenges of integrated reporting from the perspective of the reporting organization i.e. the preparer.

Table 2.1 Benefits and Limitations of Integrated Reporting to a Preparer

Reporting Organization Perspective	
Benefits	Challenges
<ol style="list-style-type: none"> 1. Reported information better aligned with investor needs, 2. More accurate non-financial information available for data vendors, 3. Higher levels of trust with key stakeholders, 4. Better resource allocation decisions, including cost reductions 5. Enhanced risk management 6. Better identification of opportunities 7. Greater engagement with investors and other stakeholders 8. Lower reputational risk 9. Lower cost of capital and improved access to capital due to disclosures 10. Development of a common language and greater collaboration across different functions within the organization 	<ol style="list-style-type: none"> 1. Many components of the Integrated Report are subject of existing local regulations, hence progress towards integrated reporting may move at different speeds. 2. The fiduciary and other duties of those charged with governance are not consistent across all jurisdiction. 3. Concerns about the liability of those charged with governance will need to be addressed. 4. Organizations will need to balance the benefits of integrated reporting with the desire to avoid disclosing competitive information. 5. Building knowledge and experience across the reporting systems. 6. Organizations will need to establish or strengthen information systems for capturing and aggregating information.

(Adapted from IIRC Discussion Paper, 2011)

The proposed benefits of integrated reporting by IIRC may be considered strong to support the adoption of integrated reporting. However, the IIRC assumes that some of these benefits are not being achieved under the current reporting environment. For example, it could be argued that the current financial information is useful for investors because the IASB usually consults stakeholders when developing IFRS. Greater collaboration across different functions within the company is a unique argument for the adoption of integrated reporting.

The challenges of integrated reporting raise concerns about adopting integrated reporting. Listed companies in sectors like banking and insurance have several sources of regulation from NSE, CMA, and Central Bank for banks and

Insurance Regulatory Authority (IRA) for insurance companies, creating overlaps in information requirements, hence reporting. Besides, information required by integrated reporting may lead to competitive harm. The issue of knowledge and experience across the reporting systems and the implementation of a strong information system may prove costly.

One important aim of the study was to seek the perspectives of preparers to know which of these benefits are key drivers of integrated reporting adoption while addressing the key challenges that need to be overcome for integrated reporting to be adopted by listed companies in an emerging market like Kenya.

Table 2.2 provides a summary of the benefits and challenges of integrated reporting to investors.

Table 2.2 Benefits and Limitations of Integrated Reporting to Investors

Investor Perspectives	
Benefits	Challenges
<ol style="list-style-type: none"> 1. Supports the discharge of fiduciary duty. 2. Enables focus on the future. 3. Assessment of risks and opportunities 4. Improved assessment of various issues and their impact on value creation. 5. Analysts will be able to drill down to relevant issues in reports. 6. Collectively, the above benefits will result in more effective investment decisions, better long-term investment returns and more effective capital allocation. 	<ol style="list-style-type: none"> 1. Analytical tools are still evolving. 2. Many of the current compensation and incentive structures along the investment supply chain drive focus on the short term.

(Adapted from IIRC Discussion Paper, 2011)

The benefits of adopting integrated reporting from the investors' perspective are also strong. However, benefits like investors focusing on the future, assessing risks and opportunities, narrowing down to relevant issues, and thereby making more effective investment decisions assume that these benefits are not being achieved in the current disclosures where integrated reporting has not been adopted. Probably, a key benefit of integrated reporting is the ability of investors to assess value creation by the company from changes in the capitals.

If investment tools are still evolving, this reduces the acceptability of integrated reporting by users like equity analysts. In seeking the perspectives of analysts, it was

important to determine if the investment process and tools such as the equity screening models will improve.

Table 2.3 provides a summary of the benefits and challenges of Integrated Reporting from the perspective of the policymakers, regulators, and standard setters.

Table 2.3 Benefits and Limitations of Integrated Reporting to Regulators

Policy-maker, regulator and Standard-setter Perspective	
Benefits	Challenges
<ol style="list-style-type: none"> 1. Supports more effective capital allocation across the economy generally and, to the extent that integrated Reporting supports capital flowing to those organizations that are responding most effectively to challenges. 2. Integrated Reporting offers a platform to harmonize advances in reporting that have been achieved in different jurisdictions. 3. Address various risks that develop, are harboured and transmitted through financial markets. 4. Organizations are more accountable as stewards of resources. 5. IR supports effective action by policy-makers and regulators as users of that information. 	<ol style="list-style-type: none"> 1. Mechanisms for revising legislation, regulation and standards require leadership, political will, coordination, time, resources, consultation and due process. This is particularly so where proposed changes involve more than one subject area (Environmental law and securities law), and more than one jurisdiction. 2. The scope of integrated Reporting will cover new and evolving subjects and will have a more strategic focus. The resulting concerns of management, those charged with governance and assurance providers about liability, fiduciary duties and business confidentiality will need to be addressed.

(Adapted from IIRC Discussion Paper, 2011)

Table 2.3 shows that regulators will benefit from integrated reporting by harmonizing reporting and making organizations more accountable. However, harmonization is still being achieved through collaborations and professional mechanisms, for example by the development of accounting standards. Also, various bodies like GRI and OECD have set up standards that enhance uniformity in the way non-financial information is presented. Probably, integrated reporting will combine all this information into one report to make regulation easy. However, a challenge arises in attempting to bring together all regulators because of their different legal mandates. The study, therefore, sought the perspectives of the regulators on the proposed benefits of integrated reporting, in addition to addressing the challenges that need to be overcome to adopt integrated reporting.

The purpose of the discussion paper as explained by IIRC was to provide a foundation upon which integrated reporting would be developed, with a narrow and focused agenda. Before the discussion paper, there was no guidance on the preparation of an integrated report. Also, the discussion paper justified the importance

of companies adopting an integrated report from the perspective of various stakeholders. Therefore, this study determined the extent to which preparers, regulators, and users (analysts) agree with the proposed benefits and challenges of integrated reporting.

The IIRC launched the first and second prototypes of the framework in July 2012 and November 2012. IIRC issued the prototype framework to keep stakeholders informed of the likely structure and general content of an integrated report as work on its development progresses. The key components of the prototype framework are given in Appendix A. The second prototype in appendix B, was more detailed, though the section for the remuneration of directors and other key personnel was removed.

In April 2013, IIRC released the consultation draft of the International Integrated Reporting Framework. This draft was substantially the same as the prototypes, although the order of presentation of the content was revised possibly to make it more logical. For example, the organization overview provides the context upon which readers can understand the integrated report. The structure of the consultation draft is summarized in Appendix C. Finally, December 2013 marked an important milestone in the implementation of integrated reporting. The IIRC launched the International Framework for Integrated Reporting. The Integrated Reporting Framework is summarized in Appendix D. A summary discussion and evaluation of the key components is provided in Section 2.3.2 of this chapter.

Figure 2.1 provides a summary of the key dates and milestones for integrated reporting up to the Framework given the above discussions.

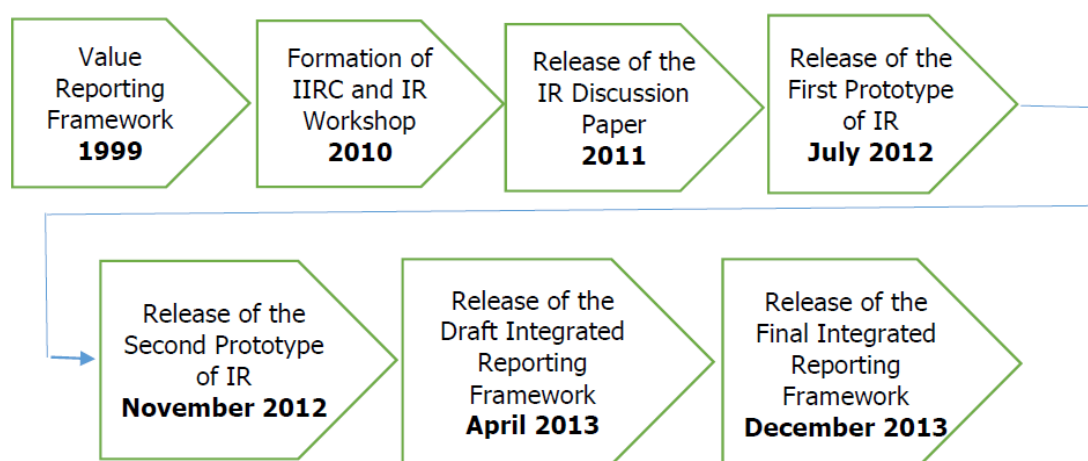


Figure 2.1 Key Stages of Integrated Reporting (Source, Author)

From Figure 2.1, the initial idea of integrated reporting began in 1999 from PwCs Value Reporting Framework (VRF) that required organizations to provide

information on market overview, strategy, value-creating activities, and financial information. The VRF was a good starting point showing how value is created from both financial and non-financial perspectives by a company. But the information required by the VRF was neither sufficient nor connected. The discussion paper provided the structure of an integrated report, its potential benefits, and challenges. In 2012, IIRC developed the integrated reporting prototypes and in early 2013, the draft integrated reporting framework was meant to convince and guide companies into preparing an integrated report. During this period, the IIRC had made some progress in sensitizing the framework in many countries through various professional bodies and other regulators. For example, in the FiRe Awards of 2013, ICPAK, CMA, and NSE promoted integrated reporting, although there was no evidence of input from the preparers, the other regulators, and the users.

2.3.2 The Integrated Reporting Framework

Figure 2.2 provides a summary of the key components of the framework.

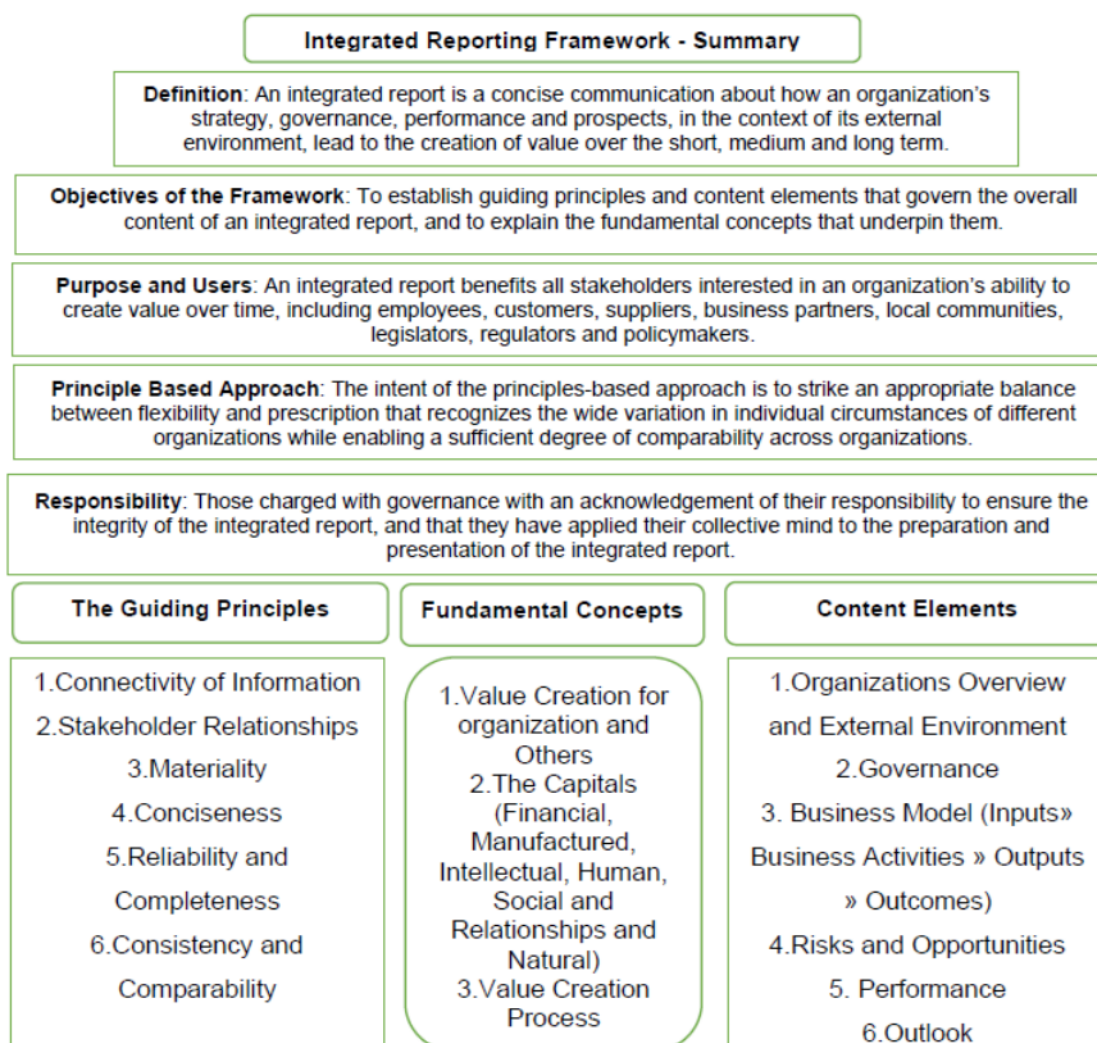


Figure 2.2 Summary Integrated reporting Framework (Source: IIRC, 2013)

2.3.2.1 Definition of an Integrated Report

Par.1.1: *“An integrated report is a concise communication about how an organization’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term”* (IIRC, 2013, p.7).

The definition implies that an integrated report links financial, sustainability, and corporate governance information in a way that it is possible to establish the value created by the organization. This study sought to establish if the preparers, the regulators, and the users agree with the definition and clarity in its meaning.

2.3.2.2 Objectives of the Framework

Par.1.3. *“The purpose of this Framework is to establish guiding principles and content elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.”* (IIRC, 2013, p.7).

Par.1.3 goes ahead to explain *“that even though the Framework is earmarked For-Profit organizations, it can also be applied to public sector organizations and other Not-For-Profit entities”*.

This explanation from IIRC assumes that the objectives of corporate reporting are the same for all different organizations. Nevertheless, both organizations are expected to add value to the relevant users. The debate on the relevance of integrated reporting in different organizations is a recommendation for further studies.

2.3.2.3 Purpose and Users of an Integrated Report

Par.1.8. *“An integrated report benefits all stakeholders interested in an organization’s ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers”* (IIRC, 2013, p.7).

This paragraph raises two issues. First, looking at disclosure theories, the statement supports stakeholder theory (Freeman, 1984). Unfortunately, stakeholder theory does not provide a comprehensive list of stakeholders and the limit of the organization being able to fulfil the needs of all stakeholders. Second, the question in most cases is not how the company creates value but how it shares the value. Besides, stakeholders like the local community have no direct claim to the value that the company is creating. This study sought the perspectives of preparers, regulators

and users for listed companies on whether integrated reporting is useful, to justify its adoption.

2.3.2.4 A Principles-Based Approach

Par.1.9. *“This Framework is principles-based. The principles-based approach intends to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organizations to meet relevant information needs.”* (IIRC, 2013, p.7).

This explanation is justified because it is not possible to prescribe a solution that applies in all situations due to different contexts ranging from economics, industry, products, and regulation.

The IIRC explains that it cannot recommend performance indicators. On the one hand, this explanation is also justified because key performance indicators are company and industry-specific. On the other hand, it is advisable to prescribe a good benchmark that companies can use for performance measurement. One pillar of integrated reporting is sustainability reporting and without performance indicators, adopting integrated reporting may lead to the challenge of cross-sectional analysis and lack of uniformity in the way companies report (Cowan, Doport, Ferracini, Sahmel, Merryman, Gaffney & Paustenbach, 2010).

2.3.2.5 Responsibility for the Preparation of an Integrated Report

Par 1.20 *“An integrated report should include a statement from those charged with governance that includes: An acknowledgment of their responsibility to ensure the integrity of the integrated report, an acknowledgment that they have applied their collective mind to the preparation and presentation of the integrated report, their opinion or conclusion about whether the integrated report is presented per this Framework”.* (IIRC, 2013, p.9).

The management is legally and professionally responsible for preparing the annual report. Par. 1.20's aim is to promote 'integrated thinking' by requiring the top management to think together and represent this in an integrated report. This could be a challenge, especially if those in management only provide information rather than be part of "integrated thinking". For example, in preparing an annual report, the standard approach is for the different departments to prepare their respective reports with the finance department presenting the audited financial statements and others prepare the corporate governance and sustainability reports. These reports are eventually compiled into the annual report. Furthermore, some

reports are very specialized and require skill and knowledge, for example, risk management.

2.3.2.6 The Guiding Principles

A Strategic Focus and Future Orientation

Par 3.3 *“An integrated report should provide insight into the organization’s strategy, and how it relates to the organization’s ability to create value in the short, medium and long term and to its use of and effects on the capitals”*. (IIRC, 2013, p.16).

Par. 3.3 suggests that companies should provide information and opportunities about the market position, the business model, the relationship between past and future performance, and how the various capitals contribute to the organization’s ability to achieve its strategic objectives.

Information about the opportunities and business model of a company is strategic therefore a risk due to competitive harm. Ferreira and Rezende (2007) reported that disclosure of strategic information is high in stable environments and investments are related to specific strategies while the disclosure is likely to be low in unstable or unpredictable environments. Due to the nature of developing capital markets, with highly unpredictable macroeconomic factors, the perspective of preparers on disclosures of strategies and how this creates value over time, are important for this study. As per IIRC’s basis of significant issues, an organization can exclude information if it feels that it will have competitive harm, though the organization should explain the omission.

B Connectivity of Information

Par 3.6 *“An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time”*. (IIRC, 2013, p.16).

The key forms of connectivity of information include the connectivity between the content elements, the past, present and future, the capitals, financial information, quantitative and qualitative information, and information presented by management. Even though some information is important and can be connected/linked, there could be a challenge in connecting the different parts of information. For example, an area of debate is non-financial information, such as customer satisfaction, which is only occasionally linked to financial measures like revenue, but when a company makes

bonus payments, the bonus is linked to profits (Hofmann, 2001). The perspectives of preparers about this principle were important.

C Stakeholder Relationships

Par. 3.14 “*An integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, considers and responds to their legitimate needs and interests*”. (IIRC, 2013, p.18).

Par. 3.14 of the Framework explains that an integrated report enhances transparency and accountability, which leads to increased trust and resilience with the various stakeholders. The framework, however, does not define transparency and trust. Schnackenberg and Tomlinson (2016), posited that transparency is a function of disclosure, clarity, and accuracy. Disclosure is high if the information is relevant and timely; Clarity is where users of the annual report understand the information and accuracy is where information can be relied upon to be true. According to Mayer, Davis, and Schoorman (1995), trust refers to the willingness of stakeholders to be vulnerable to the actions of the organization. Schnackenberg and Tomlinson (2016) explain that greater transparency (through higher levels of disclosure, clarity, and accuracy) leads to higher levels of trust.

From the above paragraph and based on the arguments provided by IIRC on an integrated report as per Par. 3.14 an integrated report enhances transparency. However, what is missing from the framework and in literature is how an organization should report its relationship with stakeholders. The nature and quality of the relationship are not clear. This study evaluated the perspectives of preparers on the extent to which disclosures of relationships with shareholders can be achieved.

D Materiality

According to the framework par 3.17, “*An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term*”. (IIRC, 2013, p.18).

See part F on the application of the framework for further discussion on materiality.

E Conciseness

According to the Framework, “*An integrated report should be concise*” (IIRC, 2013, pg.21).

The framework explains that conciseness is achieved by considering materiality in presenting information in the integrated report. Also, the integrated report should have a logical structure of the presentation, providing a link to more detailed

information, should use plain language using fewer words, and avoid disclosures that are not relevant to the organization. Companies issue concise reports by having less textually complex reports (Hrasky & Smith, 2008). Lee and Morse (1990) therefore suggest companies achieve conciseness by using graphs and charts to summarize technical information.

From the study of Hrasky and Smith (2008), an analysis of the chairman's report for companies listed in Australia indicated that companies are having challenges preparing concise reports. The study found that those companies which attempted conciseness in reporting by using less technical text and graphs did not achieve conciseness. The authors suggested that additional measures of conciseness need to be defined with research focusing on better measures of conciseness.

For integrated reporting to be concise, the requirements by the Framework highlight the same issues but it is not clear whether these requirements will be sufficient to achieve conciseness. This study evaluated the perspectives of preparers on the extent to which companies can conciseness in an integrated report.

F Reliability and Completeness

According to Part F of the framework, "*An integrated report should include all material matters, both positive and negative in a balanced way without material error. Reliability is enhanced by good internal controls and information systems, and by conducting both internal and external audits. Also, reliable information should be reported in a balanced way and is free from material errors*". (IIRC, 2013, p.21).

To be considered complete and balanced, the Framework requires the organization to ensure that all-important information is included, and information presented in a manner that will not affect its competitive advantage. Also, an integrated report should include future-oriented information and uncertainty not being used as an excuse to omit information. The organization should consider the costs and the benefits of providing information.

This section for reliability and completeness leads to some observations. First, reliability is linked with faithful representation. According to the IASB's Exposure Draft on the conceptual framework (IASB, 2008, p. 36), faithful representation is information that is complete and free from material error. However, Botosan (2004) argues that it is nearly impossible to measure faithful representation by using annual reports only, but rather including economic information. The faithful representation can be achieved by using a form of standardization such as accounting standards (Maines & Wahlen, 2006).

Secondly, Beest, Braam, and Boelens (2009), argue that it is a challenge for an annual report to be free from material error, because of the estimates and assumptions that the management makes. If uncertain information is presented, then valid reasons must be provided for the information to be considered free from material error (Jonas & Blanchet, 2000). This would require that for the integrated report to be complete and free from material error, justification must be made for every uncertain information leading to a trade-off with preciseness.

Lastly, according to Ferreira and Rezende (2007), disclosure of strategic information is likely to be low in unstable or unpredictable environments such as those in emerging economies which makes it difficult to achieve reliability and completeness. Therefore, preparers were expected to provide their perspective on the extent to which reliability and conciseness can be achieved in an integrated report.

G Consistency and Comparability

Under Section G of the Framework, “*The information in an integrated report should be presented on a basis that is consistent over time, in a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time*”. (IIRC, 2013, p.23).

IASB (2008, p. 39) explains that comparability is the quality of information that enables users to see similarities and differences between two sets of economic phenomena. This comparison is carried out within the same firm over time or with others in the same industry. Consistency enhances comparability. Consistency requires the application of the same accounting principles from one period to the next or within the same firm or with others in the same industry.

For integrated reporting, achieving consistency could, therefore, be a challenge due to qualitative information. Information on strategies and corporate governance can be presented comparatively unless there are changes. However, other details like risk, opportunities, and governance, capitals, which continuously change may reduce the ability for consistency and therefore comparability. The framework, though, recommends the use of industry benchmarks, ratios, and other metrics to make non-financial information comparable. Lack of clarity of suitable metrics and their justification may still be a problem.

2.3.2.7 Fundamental Concepts

A Value Creation for the Organization and Others

Par 2.4 “*Value created by an organization over time manifests itself in increases, decreases, or transformations of the capitals caused by the organization’s business activities and outputs. That value has two interrelated aspects – the value created for the organization itself, which enables financial returns to the providers of financial capital and others (i.e., stakeholders and society at large)*”. (IIRC, 2013, p.10).

Par 1.5 of the basis of conclusions (IIRC, 2013) explains that there was confusion by respondents on what value is, value creation, value for whom, and whether value and value creation need to be quantified. In Paragraph 5.4, IIRC explains that the Framework cannot define value because of differences in individuals’ circumstances and perspectives. Also, IIRC explains that the integrated report need not quantify value.

IIRC is justified on the claim that the meaning of value is individual specific. Ramsey (2005), confirmed that there are several meanings of value in different functional areas of the business, such as economics, accounting, marketing, strategy, and operations management. For example, to economists, value is the benefits customers get from consuming products and services. For marketers, value is the benefit experienced by buyers or customers. Strategy defines value the same way as marketing but with an emphasis on quality. In operations management, value is the benefit arising to the customers from process improvement and cost reduction. All these definitions of value indicate a challenge that IIRC may face in promoting integrated reporting.

Haksever, Chaganti, and Cook (2004), posited that value can also be Analysed from the perspective of creation and/or destruction. This is because the creation of value for some stakeholders may lead to the destruction of value for others. Besides, we can classify value creation as financial, non-financial, and time. According to the authors, value can be created or destroyed as shown in Table 2.4:

Table 2.4 The Concept of Value to Several Stakeholders

Stakeholder	Value Dimension	Value Creation	Value Destruction
Shareholders	Financial	Profits and capital gains	Losses, capital losses
	Non- Financial	Good reputation and pride of ownership	Bad reputation and uncertainties.
	Time	Long term financial security	Uncertainty of company's future viability
Employees	Financial	Employee benefits	Loss of job and pension
	Non -Financial	Safe and friendly working environment	Hostile work environment
	Time	Long term job security and career advancement	Stunted career development
Customers	Financial	Price friendly products	Expensive products
	Non-Financial	Good quality products	Poor quality and harmful products
	Time	Guaranteed product availability and other services	Not available and time spent on defective goods/services
Suppliers	Financial	Revenues and profits	Bad debts/ and forced price reductions
	Non-Financial	Source of business and good supplier relationships	Poor business relationships
	Time	Long term financial security in terms of business availability	Delays in payments and poor information sharing
Community	Financial	Payment of Taxes and donations	Tax avoidance/evasion that may arise from tax concessions or other irregular activities
	Non- Financial	Stable source of employment	Social and environmental malpractices like pollution and unfair employment practices
	Time	Long term economic growth and prosperity leads to an improvement in the quality of life of the community	Long term societal and environmental issues like health risks and work unethical work practices may reduce the quality of life of the community

Source: Haksever, Chaganti and Cook (2004)

Table 2.4 highlights that, apart from financial measures of value, it may be difficult to have financial measures of performance for some activities. For example, a good reputation by the company over time may be difficult to measure. Secondly, items of value and their priority may vary. For agency theory, it is value to owners, but under stakeholder theory, a company should balance all the value creation activities overtime as demonstrated from integrated reporting. Even though this study sought the views of users about value, additional research is suggested on the definition of value in light of integrated reporting.

B The Capitals

Par.2.10 *“All organizations depend on various forms of capital for their success. In this Framework, the capitals comprise financial, manufactured, intellectual, human, social and relationship, and natural”.* (IIRC, 2013, p.11).

Figure 2.3 provides the summary definitions of the capitals and examples from the framework.

Capital	Financial	Manufactured	Intellectual	Human	Social & relationship	Natural
Definition	<i>The pool of funds that is available to an organization</i>	<i>Manufactured physical objects</i>	<i>Organizational, knowledge-based intangibles</i>	<i>People's competencies, capabilities and experience</i>	<i>The institutions and the relationships within and between communities, groups of stakeholders and other networks</i>	<i>All renewable and non-renewable environmental resources and processes</i>
Examples	Such as debt, equity or grants, or generated through operations or investments	Buildings, equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants)	Patents, copyrights, software, rights and licences, "organizational capital" such as tacit knowledge, systems, procedures and protocols	Motivations to innovate, support for an organization's governance framework, risk management approach, and ethical values, Loyalties and motivations for improving processes, ability to lead, manage and collaborate	Shared norms, and common values and behaviours, key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation	It includes, air, water, land, minerals and forests and biodiversity and ecosystem health

Figure 2.3 The Capitals, Adapted from the Integrated Reporting Framework (IIRC, 2013)

Integrated reporting gives prominence to capitals, which raises a few questions. First, value creation is when the capital increases, while value reduction is a decrease in capital. Therefore, should the organization aim at increasing all the capitals to create value? In that case, it would be difficult to achieve this because of potential trade-offs. For example, financial capital will reduce (reduction in profits) if the organization spends on social or natural capital. Second, for the organizational context, another problem is on classifications of capital. For example, is trading license a financial or social relationship capital? Third, some terms may confuse users because of different organizational contexts. Can service organizations talk of manufactured capital? This involves the discussion about the importance of agency and stakeholder theories and the perspectives of preparers.

C The Value Creation Process

The value creation process is depicted in Figure 2.4

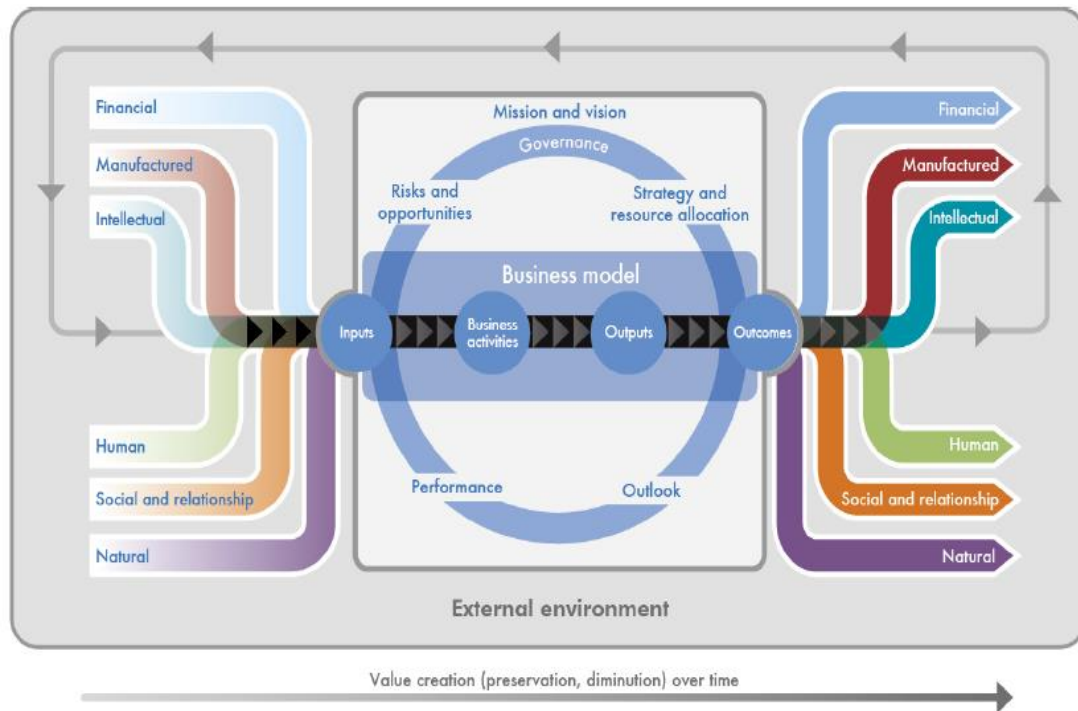


Figure 2.4 Value Creation Process (Source: IIRC, 2013)

Figure 2.4 portrays value as being added when various capitals that are inputs in the business model become better outputs. The capitals have a low shade of color at the input stage but become darker at the point of output to imply the value-added. As highlighted previously in section 2.3.3 on value creation, there are potential trade-offs in the capital. IIRC should enhance Figure 2.4 by describing the value-added in terms of examples. For example, an increase in equity due to profits is an improvement in financial capital.

2.3.2.8 Content Elements

A Organizational Overview and External Environment

Section A asks, “*What does the organization do and what are the circumstances under which it operates?*” (IIRC, 2013, p.24).

The organization should provide information about the internal and external environment. Internal environment information pertains to the vision, mission, ethics, culture, organizational structure, key products, market positioning, and positioning within the value chain. Social, environmental, legal, and political factors, and how they may affect the firm’s ability to create value are presented in the external environment.

As discussed before, this is strategic information risking the company to competitive harm.

B Governance

Section B asks, “*How does the organization’s governance structure support its ability to create value in the short, medium, and long term?*” (IIRC, 2013, p.25).

The organization should provide the leadership structure and details of those in leadership positions and how they make decisions, including the attitude of management towards risk and ethics. These two perspectives are usually corporate governance reporting requirements. Also, the organization should report about culture, ethics, compliance with legal and other requirements, and payment schemes in place and their link to performance. As regards to ethics, Folajimi and Fofah (2015) reported that poor ethical practices in companies contribute to poor corporate governance practices. This implies that it might be a challenge, even if imposed by regulators for companies to report on their ethical practices especially if the management is not performing this. However, one listed company in Kenya is well known for reporting on ethical matters, like the number of staff dismissed due to unethical behavior. This shows that it is possible to disclose information on ethical matters.

C Business Model

Section C asks, “*What is the organization’s business model?*” (IIRC, 2013, p.25).

In the glossary of the Framework, a business model is defined as follows: “*An organization’s system of transforming inputs through its business activities into outputs and outcomes that aims to fulfill the organization’s strategic purposes and create value over the short, medium and long term*”. (IIRC, 2013, p.35).

According to the framework, a business model has four steps that are summarized in Figure 2.5 on page 33:

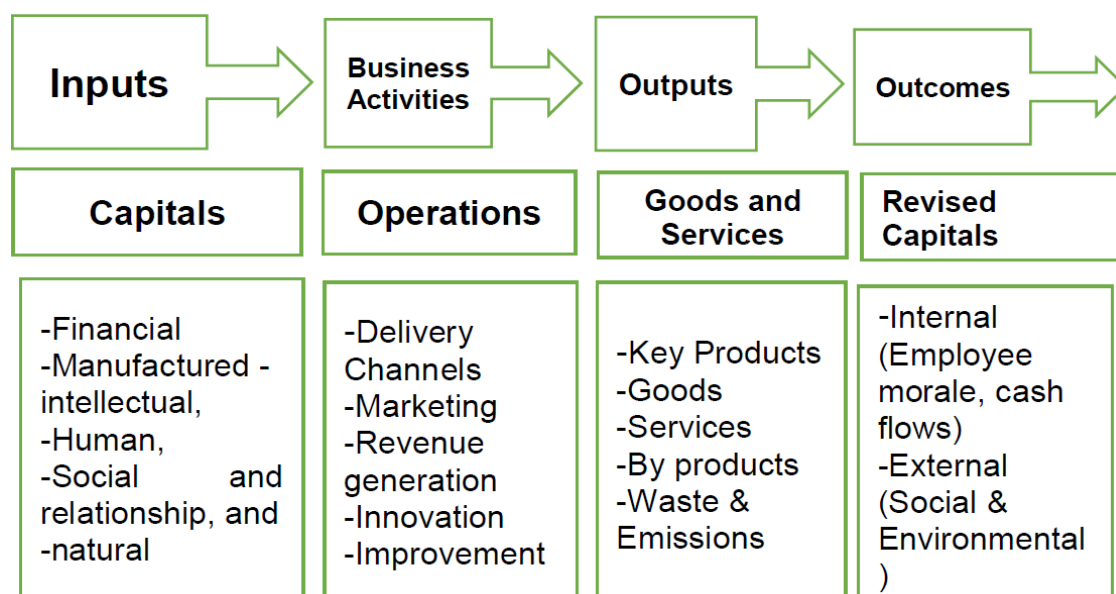


Figure 2.5 Summary Business Model (Compiled from Integrated Reporting Framework, 2013)

Zott, Amit, and Massa (2011) Analysed the literature on the concept of a business model. First, they note that there is no formal definition of a business model in academic literature. A business model is a statement (Stewart & Zhao, 2000), a description (Applegate, 2000; Weill & Vitale, 2001), a representation (Morris, Schindehutte, & Allen, 2005; Shafer, Smith, & Linder, 2005), an architecture (Dubosson-Torbay, Osterwalder, & Pigneur, 2002; Timmers, 1998), a conceptual tool or model (George & Bock, 2011; Osterwalder, 2004; Osterwalder, Pigneur, & Tucci, 2005), a structural template (Amit & Zott, 2001), a method (Afuah & Tucci, 2001), a framework (Afuah, 2004), a pattern (Brousseau & Penard, 2007), or a set (Seelos & Mair, 2007). Therefore, even though the framework defines the business model, the concept may not be very clear to users and possibly lead to variations in disclosures.

Second, the authors also note that the business model is generally used in three themes: First, e-business and the use of information technology in organizations (Ghaziani & Ventresca, 2005; Magretta, 2002; Yip, 2004); second, strategic issues, such as value creation, competitive advantage, and firm performance (Seelos & Mair, 2007; Thompson & MacMillan, 2010; Porter, 1985; Amit & Zott, 2001); and third, innovation and technology management where authors use case studies (Chesbrough & Rosenbloom, 2002); Björkdahl, 2009; Calia, Guerrini, & Moura (2007). From these themes, including a discussion of the business model will assist users to determine how value is created in the business model and the source of competitive advantage.

However, an organization's business model is part of the strategy and its disclosure may lead to competitive harm (Ferreira & Rezende, 2007). In the current

study, it was, therefore, important to get the perspectives of preparers on the disclosure of the business model in an integrated report.

D Risks and Opportunities

Section D: *“What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium, and long term, and how is the organization dealing with them?”* (IIRC, 2013, p.27).

The organization should report the source of risks (both internal and external), the likelihood of each risk arising, the potential impact of risk, and the strategies to mitigate the risks identified. Abraham and Cox (2007), found that risk reporting by companies depends on regulation. For example, IFRS 7 on Financial Instruments Disclosures (IASB, 2016), provides detailed disclosures of financial risk (Liquidity, Credit and Market risk) and how these risks are being measured and managed. Risks and risk management disclosures are also required by corporate governance principles (OECD, 2015).

Linsley and Shrives (2006) reported that users cannot adequately assess the risk profile of companies because of a lack of clarity in the narratives provided by the companies. Lack of standards on risk reporting contributes to the lack of clarity. Thus, risk reporting in an integrated report may need to supplement those of accounting standards, consider the risk reporting requirements of corporate governance, and improve disclosures by providing standards. Even though the preparers provided feedback on risk reporting requirements in the integrated report, risk reporting is mandatory from regulation.

E Strategy and Resource allocation

Section E asks, *“Where does the organization want to go, and how does it intend to get there?”* (IIRC, 2013, p.27).

Here, the Framework focuses on strategic issues; requiring the organization to disclose its short term, mid-term and long-term strategies and resources in place to achieve them.

F Performance

Section F asks, *“To what extent has the organization achieved its strategic objectives for the period, and what are the strategic outcomes in terms of the effects on the six capitals?”* IIRC, 2013, p.28).

A company should present both qualitative and quantitative information regarding the performance of the period. The performance should cover risks and opportunities, increases or decreases in the capitals where it is material if the

performance has met the needs of various stakeholders, and important linkages between past, current, and future performance. Also, companies should present their key performance indicators to enrich the quality of information and make it possible for users to make an informed analysis.

This section of the Framework emphasizes the need to balance corporate reporting in terms of both financial and non-financial information. The presentation of financial information is guided by accounting standards, for uniformity. However, sustainability and corporate governance reports face challenges to standardize information and consistency despite guidance on sustainability reports (for example by the GRI) and corporate governance reports (by OECD).

Sustainability reporting has attracted a lot of interest and this section cannot exhaust all issues on this topic. Stakeholders' interest in sustainability reporting has mainly focused on characteristics and reasons for sustainability reporting (Roberts, 1991; Cormier & Magnan, 1999; Cormier & Gordon, 2001; Marshall & Brown, 2003). Companies showed various reasons (both internal and external) for preparing sustainability reports. External factors arise from stakeholders (Patten, 1992; Deegan, 2002; Hedberg & von Malmborg, 2003) a changing economic and business environment in which companies operate (Borkowski, Welsh, & Wentzel, 2010). Internal factors range from size, management, and information systems (Adams, 2002). In terms of reasons for preparing sustainable reports, social accountability has been the major motive (Solomon & Lewis, 2002; Marshall & Brown, 2003).

According to Stubs, Higgins, and Milne (2013), there are several challenges to sustainability reporting. The first is that sustainability reports may not seem relevant to organizations. Second, there is less demand by various stakeholders to prepare sustainable reports. Finally, there could be cultural or organizational issues where the feeling is that sustainability reporting is "good to do but not mandatory". Therefore, in the context of an integrated report, if a company is to present both financial and non-financial information, sustainability matters may not be disclosed sufficiently. Even though performance is not expected to generate much debate about its disclosure in an integrated report, this study sought the perspectives on the three stakeholders regarding the sustainability disclosures by listed companies in Kenya.

G Outlook

Section G asks, "*What challenges and uncertainties are the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*" (IIRC, 2013, p.28).

The integrated report should include future-oriented information. These cover expectations about the external environment, how they may affect the organization, and how prepared the organization is to respond to the expectations. The report comprises key performance indicators and cash flow projections (with related assumptions).

Future-oriented information has attracted interest from regulators, investors, and preparers of annual reports. In 1973, the US Securities Exchange Commission (SEC), allowed and even encouraged companies to provide future-oriented information (Goldring, 1981). SEC had initially prohibited companies from presenting future-oriented information. According to Libby and Rollinson (1976), for an investor to gain confidence in his/her investment decision making, the potential impact of future events on the company would be very important. Future-oriented information helps investors compare the current market value of a company with its intrinsic value. Hussainey and Al-Najjar (2011) Analysed the characteristics of future-oriented information for firms listed in the UK. The study provided evidence that the extent of future-oriented information depends on firm characteristics such as size, profitability, and corporate governance regulations. The study also found that dividends and information asymmetry are negatively associated i.e. the higher the dividends paid, the lower the disclosure levels.

From these discussions, companies will probably exercise caution in disclosing future-oriented information in their integrated reports. For example, a loss-making company is hesitant to provide estimates of profits and cash flows because this will have a direct impact on the intrinsic value of the firm and eventually the share price. Are preparers in Kenya open to the provision of forward-looking information in their annual reports? The perspective of preparers was important to answer this question.

2.4 Kenya's Institutional Context

2.4.1 Economic and Capital Markets

Kenya is one of the East African countries with a coastline on the Indian Ocean. Tanzania borders it to the south and south-west, Uganda to the west, South Sudan to the north-west, Ethiopia to the north and Somalia to the north-east. It covers 581,309 km² (224,445 sq. mi) and has a population of approximately 48.5 million people as of 2018. Kenya has been a stable country since gaining independence from the British in 1963, and in 2010, the passing of a new constitution led to a devolved system of county government (World Bank, 2017). Nairobi City is the capital and largest city in Kenya. It is the principal economic and administrative hub of the country, with an estimated population of 4 million.

According to Borat and Tarp (2016), Kenya, a middle-income economy, is the dominant economy in East Africa, fourth in Sub-Saharan Africa, ninth in Africa, sixty-ninth in the world as per the World Bank but seventy-five as per the United Nations. It is strategically located because of its coastline, which serves the other East African economies except for Tanzania. According to the Economic Survey of 2019 prepared by the KNBS (KNBS, 2019), the total Gross Domestic Product stood at \$80 billion in 2018.

According to the World Bank (2018), Kenya's youthful and growing population, a dynamic private sector, a highly-skilled workforce, improved infrastructure, a new constitution, and a pivotal role in East Africa, give the potential to be one of Africa's great success stories. Addressing poverty, inequality, governance, and the skills gap (between market requirements and the education curriculum) should be the major goals, and problems of climate change, low investment, and low productivity. Given the point on low investment, a possible approach is to improve capital markets based on the CMA's capital market strategy.

Kenya's capital markets i.e. the NSE is the largest in East and Central Africa and fifth in the continent after South Africa, Egypt, Nigeria, and Morocco in terms of market capitalization, about \$20 billion as at end of 2016 CMA (2016). The Structure of the capital market is provided in Figure 2.6:

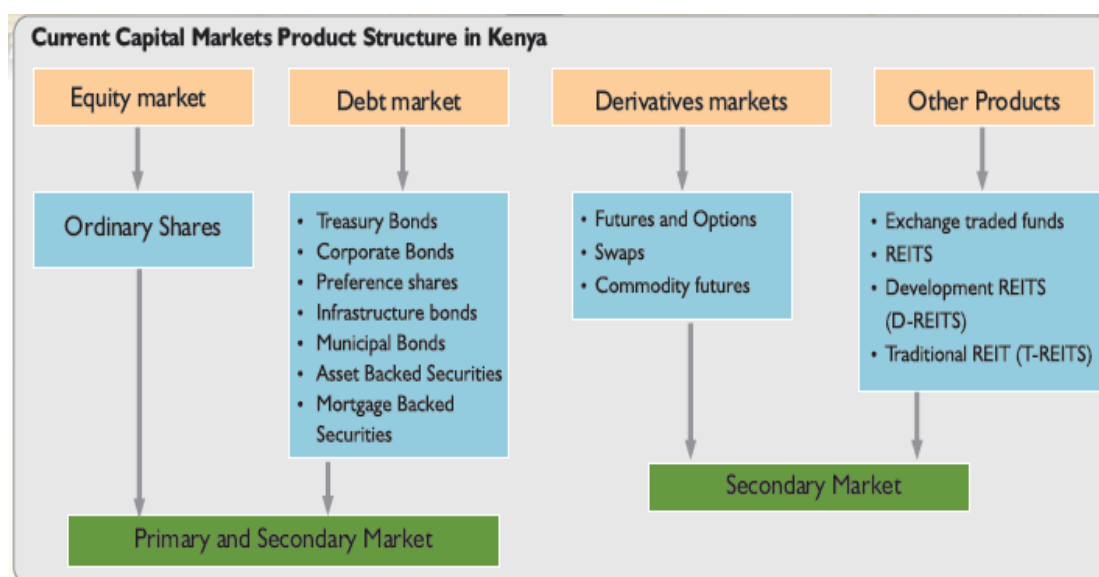


Figure 2.6 Capital Market Products and Structure in Kenya (Source: CMA, 2017)

The NSE is dominated by equities and bonds, while derivatives and other products are still being developed. The derivatives market was officially launched in

2012, but trading kicked off in 2019. Key statistics for the equity market over the past seven years are provided in Table 2.5 as follows:

Table 2.5 Key Statistics for the Equity Market in Kenya

Key Figures	2010	2011	2012	2013	2014	2015	2016
No of Listed Companies*	55	58	61	61	64	64	66
Shares Traded Volume m	7,545.79	5,721.83	5,464.23	7,665.92	8,133.67	6,812.14	5,813.49
Total Equity Turnover \$m	1,071.07	757.86	842.62	1,512.14	2,094.47	2,032.82	142.82
Market Capitalization \$m	11,395.15	8,597.77	11,223.20	17,386.89	22,290.78	20,035.34	19,119.42
Investor Holdings	%	%	%	%	%	%	%
East Africa: Institutions	73.60	68.33	66.70	64.58	64.16	65.68	66.38
East Africa: Individuals	13.80	12.23	12.01	12.89	14.58	12.84	12.49
Foreign investors	12.60	19.44	21.29	22.53	21.26	21.48	21.13

*Includes Main Segment and Alternative Segment of the market hence more than the 60 companies in the study

(Compiled by the author from several sources including NSE, CMA and KNBS)

Finally, CMA, through its masterplan has developed the strategy to make Kenya's capital markets the center for excellence in raising capital for both local and international investors (CMA, 2016). According to the strategy, CMA has identified several challenges facing Kenya's capital markets: Inconsistent use of the market to raise capital; low financial and literacy levels for investors; limited innovations and products, and inadequate expertise and infrastructure. The Masterplan aims to address these challenges and one strategic initiative is through revised corporate governance guidelines. One recommendation is the voluntary adoption of integrated reporting by public companies.

An emerging market economy was first introduced by the World Bank in 1981 (International Finance Corporation, 2018). Without defining an emerging market, IFC described an emerging economy as having the following features: Low/middle-income country; low living standards; low stock market capitalization-in relation to the GDP, low stock turnover with a few stocks listed; open to foreign trade and rapid economic growth but not developed (Khan, 2014).

Cavusgil (1997), defines an emerging economy as high growth developing countries and a source of investment for western firms. Miller (1998) explains that emerging markets have opportunities for market expansion as compared to the developed ones exhibiting three main characteristics: inadequate commercial and physical infrastructure; political instability, inadequate legal framework, and low technological levels and limited personal income.

The Economist Group has predicted that seven of the world's top 20 fastest growing economies in the next five years will be in Africa. These include South Africa, which is part of BRICS (Brazil, Russia, India, China, and South Africa) (Atsmon, Kertesz, and Vittal, 2011). Kenya and Nigeria are considered leading emerging markets in Africa as highlighted by organizations such as the World Bank and World Economic Forum (WEF) (Schwab, 2014; Are, Chabenne, Dupoux, Ivers, Michael, and Morieux, 2010).

The Global Competitiveness Index (GCI), a global reporting index formulated by the WEF, views emerging markets as developing markets in transition (Schwab, 2014), and provides a useful defining structure which allows for the classification of the different countries based on a clear, tried and tested categories that are globally accepted (Urban, 2008). According to the GCI Report of 2015—2016, Kenya is ranked number 99 out of 140 in terms of global competitiveness.

As per the CMAs strategic plan, access to finance, especially through the NSE to raise capital, should be encouraged. Kenya also must continue to improve its infrastructure, including that of the capital markets. Probably, if companies are to raise finance in the stock exchange, then transparency can be achieved through more disclosures in reporting, so improvements in corporate reporting like integrated reporting may enable the achievement of some of these objectives.

This section has provided the institutional context of Kenya being the basis of the study. The main highlight is that Kenya is an emerging market economy, a strategic country, and the dominant economy in East Africa, attracting high levels of foreign direct investment. The NSE has nearly 20% of foreign investors. As a result, both local and foreign investors have an interest in companies listed on the NSE. Besides, given that one of the strategic initiatives by CMA is to enhance transparency by encouraging improvements in corporate reporting and hence encouraging companies to adopt integrated reporting, the feasibility of such initiatives interests both local and foreign stakeholders and academicians.

2.4.2 Regulatory Framework of Corporate Reporting

2.4.2.1 The Companies Act

At the end-of-year 2015, listed companies in Kenya prepared financial statements as per Kenya's Companies Act Chapter 486 of 1962. Section 147 of the Kenya Companies Act (1962) requires all companies incorporated in Kenya to keep proper books of accounts and prepare financial statements from these books of accounts. The financial statements must show a true and fair view of the state of the

company's affairs. Section 148 requires that a company prepares at least in each calendar year, a profit and loss account for the year, and a balance sheet. Section 156 requires an auditor's report and section 157 requires a directors' report. The financial statements, auditor's report and directors' report must be presented in the annual general meeting. The profit and loss account and balance sheet must comply with the requirements of the sixth schedule of the Companies Act as per Section 149.

In September 2016, the president of Kenya assented to the new Companies Act 2015. Under the new Companies Act, Part 25 deals with accounting and financial statements and other reports. This part is expected to improve the preparation of financial statements in several ways. Section 620 (3) for listed companies specifically requires that the annual report of a listed company shall comprise of financial statements, directors' remuneration report, directors' report, and auditor's report.

As per Section 620 (4) of the new Act, financial statements are prepared as per accounting standards prescribed by ICPAK. This was missing in the old Act. Section 655 (1) requires a listed company to prepare a business review report that includes future-oriented information, social and environmental factors (sustainability), key performance indicators, and information about its employees. However, section 656 (1) exempts disclosures of such information if it would jeopardize the company and it is not of interest to the public.

In summary, the old Companies Act of 1962 did not provide legal enforcement to support the preparation of additional reports such as sustainable reports. The new Companies Act of 2015 provides a way to improve the preparation of sustainable reports and other non-financial reports, which is an important input for integrated reporting. However, this may lead to multiple reporting requirements.

2.4.2.2 Banking Act and Central Bank Prudential Guidelines

Banks in Kenya are regulated by the Banking Act Chapter 488 and supervised by the Central Bank of Kenya (CBK). Sections 21 to 25 provide various requirements for preparing and auditing financial statements. Section 21 requires all accounts and financial statements maintained in English. The form of accounts and other information are prescribed by the CBK. Section 22 requires a bank to present quarterly financial statements and annual financial statements to the CBK before publishing in a newspaper with a nationwide circulation.

Section 28 of the Banking Act also explains that CBK and the Minister (Now referred to as Cabinet Secretary, Treasury) may require a bank to furnish additional information. Section 28(3) provides the information required which includes, but is not limited to, the legal, managerial and operational structure of a group or banking group;

the risk profile of a group or banking group and its subsidiaries; how internal risk management is organized and conducted within a group or banking group; and the corporate, financial and other linkages existing between members of a group or banking group.

Section 33(4) of the Banking Act permits the CBK to issue prudential guidelines to maintain a stable and efficient banking system. The guidelines apply to banks, mortgage, and other financial institutions. The latest prudential guidelines were issued in 2014 and cover key aspects such as Governance and Risk Management, Financial Reporting requirements including performance ratios for both publicly listed and privately held banks, Business Continuity Management, Bank Services including Agency Banking, Bank Data Reporting including Credit and Information Sharing (CBK, 2014).

Part III of the prudential guidelines require banks to prepare a corporate governance report. Also, Part IV requires risk management reporting. Part X of the guidelines covers the publication of financial statements and other disclosures. First, assets and liabilities for banks should be presented in order of liquidity. Second, banks to publish their annual audited financial statements within three months after the financial period, which is 31 December.

Section 3.5 of the prudential guidelines provide for detailed qualitative disclosures that should be included in the banks' annual report. These are financial performance, financial position (including capital, solvency, and liquidity); risk management strategies and practices; risk exposures (including credit risk, market risk, liquidity risk, and operational, legal and other risks); aggregate exposure to related parties and transactions with related parties; all material entities in the group structure; accounting policies; and basic business, management, and corporate governance information.

Section 5 of the prudential guidelines provide a template for banks to use in presenting their financial statements. The purpose of the template is to enhance transparency and promote uniformity in the way banks prepare and present their financial statements. This is important as IFRSs provide a sample of financial statements formats for general businesses and detailed disclosures under IFRS 7 'Financial Instruments–Disclosure' on risks. However, the template has not been updated to be in line with IFRS.

In summary, because of strict regulations emanating from the Banking Act and CBK's prudential guidelines, banks are expected to provide a more detailed report, which may point towards faster adoption of integrated reporting by banks. However, the challenge to faster adoption of integrated reporting for banks arises in terms of

sustainability reporting. This is because neither the Banking Act nor the prudential guidelines provide for detailed requirements on sustainability reporting matters. Therefore, from the context of bank regulation, there is a gap in terms of sustainability matters.

2.4.2.3 Insurance Act and Prudential Guidelines

Insurance companies and reinsurance companies in Kenya are regulated by the Insurance Act Chapter 487, revised in 2015 and circulars and other guidelines issued by the Insurance Regulatory Authority (IRA). Part VI of the Act guides the preparation of financial statements. Section 54 of Part VI requires insurance companies to prepare a revenue account for each class of insurance business, a statement of profit or loss and a balance sheet per IFRS. Also, insurance companies are required to prepare quarterly financial statements to be published and presented to the IRA. Section 60 of the Insurance Act also requires insurance companies to file with the IRA their returns, which comprise of financial statements, an actuarial valuation report, and a statement of return detailing the nature of the business of the insurance company.

In June 2011, under sections 3A (a), (b), and (g) of the Insurance Act, the IRA issued Corporate Governance Guidelines for insurance and reinsurance companies in Kenya to enhance corporate governance practices by such companies (IRA, 2015). These guidelines have a section that emphasizes matters of appointment of an actuary (who is the principal valuer of the liabilities of an insurance company).

Insurance companies, like banks, have detailed requirements regarding the preparation of financial statements that comply with IFRSs and corporate governance reports. Like banks also, insurance companies provide more information that may be sufficient for integrated reporting except for sustainability matters.

Table 2.6 on page 43 provides a summary of the legal disclosures in terms of the nature of the reports.

Table 2.6 Summary of Reports and Other Disclosures for NSE - Listed Companies Required by the Law

Compliance/ reports	Companies Act (2009)	Companies Act (2015)	Banking Act and Prudential guidelines	Insurance Act and Prudential guidelines
Scope	All companies in Kenya	All companies in Kenya	Only banks (both listed and unlisted)	Only Insurance companies (both listed and unlisted)
IFRSs compliance	Not required but the Sixth Schedule of the Act provides formats for the Accounts	Accounts should be prepared in compliance with Accounting Standards recommended by ICPAK s.620 (4).	The Prudential Guidelines provide the format of financial statements for banks, which does not comply with IFRSs but compliance with IFRSs also required.	Insurance companies are expected to comply with IFRSs as per Section 54 Part VI of the Insurance Act
Sustainability reporting	Not required	Now required as per section 655 (1) of the Act.	Not required under both the Act nor the Prudential Guidelines	Not required under the Act nor the Prudential Guidelines
Corporate Governance reporting	Not required	Not explicitly required by the new Companies Act	Part III of the Prudential Guidelines requires corporate governance reports	IRA under the Insurance Act provides for corporate governance guidelines and reports
Other Reports	Auditors report and Directors' report.	Section 620 (3) requires directors remuneration report, a directors' report, and an auditors' report, a business review that includes future-oriented information, social and environmental matters, and key performance indicators, and employee information	The Act requires, the legal, managerial, and operational structure of a group, the risk profile of the group and its risk management	Actuarial valuation report

This summary is discussed together with regulators and professional bodies in section 2.4.3.

2.4.2.4 International Financial Reporting Standards

IFRS guides how transactions should be accounted for and reported in the financial statements. IFRS are developed by the IASB. The IASB is overseen by the Trustees of the IFRS Foundation, responsible for the organization's governance, the appointment of IASB members, and funding. The IFRS Foundation is publicly accountable to a monitoring board of capital market authorities (IASB, 2016). One objective of IASB is to develop high quality and understandable global accounting standards and another is to promote the global adoption and convergence of local accountant standards with IFRS (IASB, 2016).

Previously, companies in Kenya used Kenya Accounting Standards (KAS) and Kenya Audit Guidelines until 1998 when ICPAK adopted IFRSs (McFie, 2010). All companies in Kenya were required to prepare financial statements based on IAS/IFRS for periods beginning 1 January 1999 while the audits of all financial statements for periods ending 31 December 1999 were to be carried out based on International Standards on Auditing (McFie, 2010).

There is empirical literature on reasons why countries/companies adopt IFRS and on the levels of compliance (discussed in empirical literature). Dumontier and Raffournier (1998) found that political costs and external pressures play a major role in the decision to comply with IFRS. Also, large companies, with international ownership and audited by the “big four” audit firms will most likely adopt IFRS. Renders and Gaeremynck (2007) also added that countries with strong laws and high corporate governance practices will most likely adopt IFRS.

The move by countries from local standards to IFRSs has had contrasting views by different authors. Usually, local standards borrow from IFRSs but customized for the local legal and operating environment. Ball, Robin, and Wu (2000) explained that in their study of four countries in East Asia, there was no improvement in disclosure quality from migration to IFRS. However, Daske and Gerbhardt (2006) reported that there was a significant increase in the quality of disclosures in German, Austrian, and Swiss firms from migration to IFRSs. But differences in quality of the information provided by financial statements under IFRS depend on the laws, level of investor protection, and the extent to which financial accounting is aligned with tax laws (Ball, Robin & Wu, 2000).

The adoption of IFRS has generally been agreed to improve the quality of reporting across different countries. De George, Xi, and Lakshmanan (2016), summarized the key benefits of IFRS adoption as provided by several research articles; more transparency reduced the cost of capital, easier cross-country listing,

better following and recommendation by analysts and easier comparison of financial statements because of uniformity.

Based on extant literature, no study has analysed the relationship between IFRS disclosures and integrated reporting. In February 2013, IASB and IIRC entered a memorandum of understanding principally required IASB to make contributions towards IIRC's framework for integrated reporting (Iasplus, 2013). The memorandum also provided the basis of cooperation, especially in terms of coordinating efforts towards a global and uniform reporting framework and in improving corporate disclosures. However, it is not clear how the two bodies intend to achieve this considering that IFRS improves levels of financial disclosures to support capital markets. If Kenya's listed companies report high compliance levels with IFRSs, then the information may complement what is required for integrated reporting but more specifically for financial information and other financial metrics. Disclosures made for assets and types of incomes and expenses may provide insight into the forms of capital. For example, reconciliation statements of property, plant, and equipment required by IAS 16 provide insight into manufactured capital, one of the capitals discussed under the integrated reporting framework.

2.4.2.5 Regulators and Regulatory Bodies

A The Role of the Institute of Certified Public Accountants of Kenya (ICPAK)

ICPAK was established by the Accountants Act Chapter 531 of 1978 and later revised in 2008, as the professional organization to regulate the activities of all Certified Public Accountants in Kenya, comprising of practicing accountants mainly auditors and non-practicing such as those in employment. According to the Act, the main functions of ICPAK include promoting standards of professional competence; promoting research into the subject of accountancy and finance, and related matters; and the publication of books, periodicals, and journals.

ICPAK was part of this study for two reasons. First, ICPAK plays an important role in regulating the preparation of annual reports in Kenya. However, its mandate is on financial information i.e. financial statements prepared to comply with IFRS. For additional disclosures, such as environmental, social, and governance reporting, ICPAK together with other regulators and professional bodies, can influence their disclosures. ICPAK also recommended the adoption of integrated reporting in the FiRe Awards of 2013 and 2014. It was therefore important to determine first, the perspective

of ICPAK on current reporting practices and levels of disclosures for listed companies in Kenya, and second, the rationale for the recommendation of integrated reporting.

For FiRe Award, it is an initiative of the ICPAK, the CMA, and the NSE, and more recently the Public-Sector Accounting Standards Board (PSASB). The objective of the FiRe Award is to promote the levels and quality of disclosures by recognizing and awarding companies with best presented annual reports. Even though the idea to award companies for best-presented reports was conceptualized from 1984, the award officially commenced in 1986 (McFie, 2010) the name was officially changed to FiRe Awards in 2002. The scoring system was based on compliance with the IFRS, compliance with the Companies Act Chapter 486, clarity of accounting policies, board and other management reports, presentation of performance summary statistical and performance data, Corporate Governance, Social Responsibility and Environmental Reporting and Principal Shareholding disclosures (McFie, 2010).

Recently, ICPAK, CMA and NSE have updated the objective of the FiRe Awards as follows:

“The award is aimed at promoting integrated reporting through enhancing accountability, transparency and integrity in compliance with appropriate financial reporting framework and other disclosures on governance, social and environmental reporting by private, public and other entities domiciled in East Africa” (FiRe, 2017).

B Institute of Certified Public Secretaries of Kenya (ICPSK²)

The Institute of Certified Public Secretaries of Kenya (ICPSK) was established under the Certified Public Secretaries Act, Chapter 534 of 1988 as the professional organization for Certified Public Secretaries. ICPSK is dedicated to the promotion, growth, development, and regulation of the governance and corporate secretarial profession in Kenya (The Institute of Certified Public Secretaries of Kenya, 2015).

Including ICPSK in this study was important because, just like other regulators, ICPSK is concerned with good corporate governance practices by companies in Kenya. In 2010, ICPSK launched the ‘Company of the Year’ (CoY) Award. The award aims at recognizing individuals and institutions (both in the public and private sectors) that show the highest standards of corporate governance. The key parameters used in the CoY Award include The Board of Directors, Ethical Leadership and Corporate Citizenship, Accountability, Risk Management, and Internal Control, Transparency and Disclosure, Shareholders’ Rights and Obligations, Shareholders Relationship, Compliance with Laws and Regulations, and Sustainability and Performance

² At the time of authoring ICPSK was rebranding to Institute of Certified Secretaries

Management. Usually, companies enter by filling self-assessment forms and attaching relevant documents such as annual reports. ICPSK follows up with an audit to confirm the evidence provided.

Even though it is not clear whether ICPSK supports integrated reporting, the parameters measured under the CoY Award encourage companies to provide more information especially non-financial (such as shareholder relationship and performance management). This potentially improves current disclosures and provides input for integrated reporting. It was, therefore, important to determine the perspective of ICPSK on current reporting practices and integrated reporting.

C Nairobi Securities Exchange (NSE)

The NSE, established in 1954 under the name Nairobi Stock Exchange, began as an association of stockbrokers. The existence of a stock exchange in Kenya dates to 1992 when it was first floated. At this stage, it was still informal since there were no stipulated rules and regulations to govern the activities of the stockbrokers. In July 2011, in line with its plan to evolve into a full-service securities exchange that supports trading, clearing, and settlement of equities, debt, derivatives and other instruments, the Nairobi Stock Exchange changed its name to Nairobi Securities Exchange (NSE, 2016).

NSE is not only mandated to provide a platform for trading of the listed securities but also to oversee the activities of its member companies, i.e. companies having a shareholding in the NSE. NSE does this through the formulation of rules and regulations (NSE, 2016). The rules and regulations include NSE Trading Rules for Fixed Income Securities, NSE Trading Participants Business and Enforcement Rules and the NSE Listing Manual among other rules which ensure that the listed companies disclose all information relevant to the shareholders in their reporting and that there is uniform application of procedures across all listed companies (NSE, 2016).

Although the NSE does not have specific rules regarding the contents of published annual reports, the NSE listing rules provides the minimum requirements for companies that want to be listed. Requirement No. 3 provides for listed companies to use IFRS. Requirements 10, 11, 12, and 13 provide that a company should have immediately before listing, declared profits in 3 out of 5 years, and the company to be solvent i.e. assets exceed liabilities. In terms of additional content, NSE is in partnership with ICPAK and CMA to promote high-quality corporate reports through the FiRe award of 2013 and 2014. This study sought the rationale by regulators to promote the adoption of integrated reporting for listed companies.

D Capital Markets Authority

The CMA was established by an Act of Parliament, the Capital Markets Act, Chapter 485A, under the Ministry of Finance in 1989 and inaugurated in 1990. CMA has been charged with the responsibility of supervising, licensing, and monitoring the activities of market participants such as the NSE, the Central Depository and Settlement System Company (CDSC), listed companies, and all other persons licensed under the Capital Markets Act. The functions of the CMA include: licensing and supervising all the capital market intermediaries, ensuring proper conduct of all licensed persons and market institutions, regulating the issuance of the capital market products such as shares and bonds, promoting market development through research, promoting investor education and public awareness and protecting the interest of investors (CMA, 2016a).

The CMA has a framework to regulate public companies, which include listed companies. This framework is made up of first the enabling legislation, which is composed of the main Acts – the Capital Markets Act and the Central Depositories Act, 2000 – and the Regulations and Rules. Secondly, Guidelines on Corporate Governance Practices by Public Listed Companies, on the Approval and Registration of Credit Rating Agencies and Financial Resource requirements for Market Intermediaries.

For listed and other public companies, CMA provides detailed financial reporting guidelines through corporate governance rules, with the latest issued in March 2016 (CMA, 2015). Section 11(3) of the CMA Act confers powers to CMA to issue the code of corporate governance rules for public companies. The code for 2015, launched in March 2016 (CMA, 2015), provides for annual reports under chapter 6 on Accountability Risk Management and Control and Chapter 7 on transparency and disclosures. Under Chapter 6, of the code:

“The Board shall have processes in place to ensure the books of account are prepared on a timely basis. Also, the Board shall recognize the value of an effective Audit Committee in ensuring the financial statements of the Company are a reliable source of financial information. The Audit Committee shall amongst other items, ensure that the Company’s financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.”

In the same chapter, CMA recommends that the board of directors of a company should work towards implementing integrated reporting by stating:

“Integrated reporting is a process that brings together the material information about an organization’s strategy, governance, performance and prospects in such a way that reflects its commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated reporting combines the most material elements of information currently reported in separate reporting strands (financial, management guidelines, governance and remuneration, and sustainability) into a coherent whole.”

Section six of the code explains that adopting integrated reporting will lead to more disclosures and hence better management and control of the company. The study was therefore timely to confirm from the perspective of preparers if integrated reporting will lead to better management and control of the company as claimed by CMA.

Concerning integrated reporting, therefore, CMA recommended integrated reporting to NSE listed companies. Previously, integrated reporting was encouraged based on the FiRe Awards of 2013 and 2014 but CMA proceeded to incorporate integrated reporting in its code of 2015 as a voluntary report. For this reason, it was first important to determine the perspective of CMA on current reporting practices for listed companies and integrated reporting.

E The Central Bank of Kenya (CBK)

The CBK is the main supervisor of banks in Kenya. It was established by an Act of Parliament of March 24, 1966 and opened its doors to the public on September 14, 1966. The Bank is now anchored in the constitution under Article 231. According to the Act, the mandate of the bank is to formulate and implement a monetary policy that promotes price stability, fosters liquidity, solvency, and stability of the banking sector, issue currency notes and coins, and provide banking services to the government, commercial banks, and other financial institutions. In fostering liquidity, CBK achieves this in several ways and one of them is through the supervision department, recommending the financial reports that banks should prepare, Analysing the financial reports and other returns from banking sector players to ensure compliance with various laws and regulations. Finally, Analysing compliance with the relevant laws, regulations, and guidelines and contribute to initiatives that promote financial inclusion.

From the above paragraph, and as explained in the section for the regulatory framework, the central bank supervises banks and regulates the content of banks’ annual reports using prudential guidelines. Regarding integrated reporting, other than

the corporate governance code issued by CMA, there is no evidence that CBK advocates the use of integrated reporting.

The study, therefore, sought to establish the position of CBK's, regarding current reporting practices and on integrated reporting in the banking sector and issues that may arise as banks decide on whether to adopt integrated reporting. Besides, it was important to determine how the CBK supervision of banks will be affected if the banks adopt integrated reporting.

F Insurance Regulatory Authority

The Insurance Regulatory Authority (IRA) was established in 2007 under the Insurance Act 487 with a mandate to regulate, supervise, and develop the insurance industry in Kenya. The core functions of IRA as per the Act include administration, supervision, regulation, and control of insurance and reinsurance business in Kenya; formulation and enforcement of standards for the conduct of insurance and reinsurance business in Kenya; protection of the interests of insurance policyholders and beneficiaries; promote the development of the insurance sector; issue supervisory guidelines and prudential standards for better administration of the insurance business.

The IRA stipulates the content of annual reports for insurance companies through the Insurance Act and prudential guidelines. Regarding integrated reporting, there is no evidence that the IRA advocates for the adoption of integrated reporting. The study, therefore, sought the position of IRA regarding current reporting practices and on integrated reporting in the insurance sector, together with any impact on the regulation of insurance companies if insurance companies adopt integrated reporting. If the IRA welcomes integrated reporting, then this may influence the adoption of integrated reporting in the insurance sector.

Table 2.7 on page 51 provides a summary of the various bodies that regulate listed companies in Kenya. Tables 2.6 on page 43 on legal aspects and regulatory bodies respectively provide some key observations about regulating corporate reporting in Kenya and the potential for integrated reporting. First, compliance with IFRS and corporate governance is required by various laws and supported by nearly all regulators. It is highly likely that IFRS disclosures will be high. Second, there are overlaps in legal requirements and recommendations by professional bodies that some companies (banks) face. For example, banks are required to comply with CMA, NSE, and CBK reporting requirements. Therefore, the question is whether regulatory bodies are willing to harmonize regulation of corporate reporting through integrated reporting. Finally, if regulators were aware of integrated reporting in 2013, at the same time the

New Companies Act was being revised, it is expected that the adoption of integrated reporting should have been considered and included in the revision. However, this was not done implying an oversight in regulation.

It was, therefore, important to seek the perspectives of the preparers and regulators regarding corporate regulation for listed companies in Kenya and the potential to support the adoption of integrated reporting.

Table 2.7 Key Regulators of NSE – Listed Companies and the Reports and Disclosures Required

Regulator	Regulates whom?	Requires compliance with IFRS?	Requires provision of sustainability reports?	Required provision of corporate governance reports?
ICPAK	Accountants, both practicing and non-practicing	Yes, requires all practicing accountants to ensure financial reports comply with IFRSs	No, but encourages the same through annual FiRe Award	No, but encourages better disclosures through annual FiRe Award
ICPSK	Professional Secretaries who serve as secretaries for all companies in Kenya	No	No	Promotes good corporate governance principles and reporting and encourages these through Company of the Year awards
CMA	All listed companies in Kenya, NSE, CDSC, and other players like fund managers and investment advisors	Yes	Not required, but may now be prepared as a component of integrated reporting and encourages the same through annual FiRe Awards	Under section 11(3) of the CMA Act, CMA issues corporate reporting guidelines which require mandatory compliance with IFRSs and corporate governance reports
NSE	All listed companies	Listing requirement No. 3 requires listed companies to comply with IFRSs	No, encourages the same through FiRe Award	Does not expressly require Corporate governance report but supports CMA in compliance
CBK	All banks both listed and unlisted	Yes: requires compliance with IFRSs	Not clear regarding advocating for sustainability reporting	Requires corporate governance reports through part III of Prudential Guidelines
IRA	Insurance companies both listed and unlisted	Requires compliance with IFRSs through the Insurance Act	Not required or explicit on sustainability issues	Requires the preparation of a corporate governance report through Prudential Guidelines

2.5 Theoretical Literature

2.5.1 The Relevant theories for this study

Jeanjean and Ramirez (2009) explained that theory in accounting aids in framing standards and coming up with solutions to challenges arising from accounting choices. According to Miller and Bahnson (2010), a theory is used in accounting to ensure better accounting practices, for example, choosing prudent financial policies and achieving transparency. The authors argue that accounting practice should be based on what ought to be done rather than what is being done. The suggestions by both Jeanjean and Ramirez (2009), and Miller and Bahnson (2010) imply that theories in accounting influence the choice of accounting practices and will, therefore, reflect the preparation and presentation of financial statements.

In the theoretical literature, several disclosure theories have been postulated and vary from justifying why companies prepare annual reports up to the motivation to disclose more information. The important theories include Agency Theory (Jensen & Meckling, 1976), Stakeholder Theory (Freeman, 1984), Legitimacy Theory (Suchman, 1995), Social Contract Theory which is related to Legitimacy Theory (D'Agostino, Gaus & Thrasher, 2011), Positive Accounting Theory (Watts & Zimmerman, 1978), Signalling Theory (Ross, 1977), Institutional Theory (Martinez & Dacin, 1999) and Contingency Theory (Chapman, 1997). Another popular theory, Shareholder Primacy theory, is an extension of Agency theory (Vinten, 2001) and hence is not discussed here. Table 2.8 on page 53 summarizes these key theories and their relationship with corporate reporting.

Corporate reporting theories may be classified using several categories. Sharma (2013) proposed a classification based on interpretive, normative, and positive views. Interpretive views arise from determining the facts from real experience and collaboration with participants in the real-life setting. Giuliani (2009) expounds that the interpretive view category seeks solutions to problems through the active involvement of the researcher on a real-life project. The normative view stems from the role of theory in accounting and finance, i.e. policy prescription and framework building (Jeanjean & Ramirez, 2009). According to Collin, Tagesson, Andersson, Cato, and Hansson (2009), positive accounting theory deviates from interpretive and normative and provides reasons reality differs from what has been prescribed. For example, Broberg, Tagesson and Collin (2010) explain that agency costs will vary from one company to the other depending on various internal and external pressures. Agency costs are the costs of monitoring directors to ensure they manage the company for the benefit of the owners.

Table 2.8 Summary Theoretical Disclosures for Corporate Reporting

Theory	Key discussion	Relationship with corporate reporting
Agency	In a company, shareholders are the owners hence the principals. Due to governance issues, shareholders appoint directors to manage the company on their behalf, hence directors are considered as the agents of the shareholders. According to the agency theory unless monitored, the agents (directors) may act in their own interest at possibly the detriment of the principals (shareholders). Like shareholder primacy theory, agency theory emphasizes the protection of the shareholder as the primary stakeholder. The directors are supposed to manage the company for the benefit of the shareholders.	There are several ways that shareholders can monitor the directors, to mitigate the agency problem. One of the recommended approaches is for directors to be transparent through corporate reporting and disclosures. It is expected that shareholders can monitor the performance of the directors from the reports prepared and disclosures made so that they can take informed decisions. For example, financial information on profits will enable the shareholders determine if the directors are achieving value as suggested in integrated reporting.
Stakeholder	As opposed to agency theory which emphasizes priority be given to the needs of shareholders, according to the stakeholder theory, the company should endeavour to fulfil the needs of all stakeholders rather give priority to those of the shareholders only. Other stakeholders include employees, customers and the society.	The preparation of corporate reports and presenting more disclosures by management provides information that is used in evaluating whether the needs of all stakeholders are met. For example, disclosing more information about social and environmental activities by the company is considered to be important in addition to the financial information.
Legitimacy	Legitimacy is concerned with affirming that the actions of an organization are desirable or proper within socially constructed norms or beliefs. This means that the firm conforms to laws or rules that make it legitimate to exist or operate.	It is a theory that is usually discussed within the context of factors that justify voluntary disclosures in the context of social and environmental reporting. By taking care of the society and the environment, the company is affirming its legitimacy.
Positive accounting	Under positive accounting theory, management chooses accounting policies and practices that will make the management gain. Under the management compensation and debt-equity hypotheses, management will report higher profits while under the political cost hypothesis management will report low profits.	Positive accounting claims that organizations make voluntary disclosures if the management and the organization will benefit for example in terms of improving the reputation with stakeholders, but on the other hand management will make minimal disclosures if disclosing more will lead to high political costs.

Table 2.8 Summary Theoretical Disclosures on Corporate Reporting continued...

Theory	Key discussion	Relationship with corporate reporting
Signaling	Signaling theory is based on the concept of the signaler (management), the signal (the information) and the receiver (those outside the organization). Information asymmetry arises when the management has or is privy to more information that other users do not have. The management uses corporate information through disclosure to send a 'signal' to others.	Research is not conclusive on signaling theory. Companies use corporate reporting and other disclosures to send various signals to the market. For example, if a company declares dividends in its annual report, then it could signal a strong profitable company, or lack of good investment opportunities hence refunding capital. Generally, companies that perform well would most likely prepare reports and disclose more.
Institutional	Primarily concerned with an organization's interaction with institutional environment, the effects of social expectations on the organization and the incorporation of those expectations as reflected by organizational practices.	An organization's interaction with the institutional environment will influence how the organization communicates in terms of corporate reports and disclosures. For example, in a country with strict legal requirements that protect various stakeholders like investors and the society, it is expected that companies will provide more reports and disclose more including sustainability matters.
Contingency	Though contingency theory has its roots in management, its application in Financial Reporting posits that Corporate Financial Reporting systems are affected by four contingent variables which are (i) societal, (ii) environmental, (iii) organizational structure and (iv) user characteristics. Contingency theory is related to institutional theory.	The choice of accounting and disclosure practices is the result of an internal process which is influenced by outside contingencies, just like in the institutional theory.

According to Sharma (2013), selecting relevant theories for researching in accounting and related fields requires various considerations ranging from research paradigm (ontological, epistemological, and methodological), qualitative and quantitative, or mixed methods and the various perspectives of interpretive, normative and positive view.

Based on the three views of accounting theory as suggested by Sharma (2013), and the summary of the theories in Table 2.8 is given as follows in Table 2.9, page 55:

Table 2.9 Classification of Disclosure Theories: Interpretive, Normative and Positive Views

Theory	Interpretive view	Normative View	Positive View
Agency Theory			√
Stakeholders' Theory		√	
Legitimacy Theory		√	
Positive Accounting			√
Signaling Theory	√		
Institutional Theory		√	
Contingency Theory	√		

Sharma (2013) explained that agency theory provides the required framework to evaluate accounting choices and disclosures by companies. Therefore, the current study was based on agency theory. Collin et al. (2009) confirmed that Positive Accounting Theory explains how management choices affect the wealth of shareholders and hence it is closely related to agency theory. Positive Accounting Theory was therefore not considered separately in the current study. Connelly, Certo, Ireland, and Reutzel (2011) explain that companies usually reduce information asymmetry by providing more information beyond the mandatory to signal better performance or transparency. The recipients of the information have a choice on how to interpret the information. Therefore, the signalling theory is an important theory and thus used in this study.

Sharma (2013) adds that specialty fields like those of social responsibility, environmental accounting, and disclosures including intellectual capital can fit well into the legitimacy and stakeholders' theory which provides the rationale for companies to disclose more information. This study did not use contingency theory and institutional theory because contingency theory is suitable for management research while the institutional theory is appropriate for auditing and tax where the emphasis is on mandatory compliance of some aspects of tax and audit activities in the organization and in some cases disclosures across countries (Sharma, 2013).

This study, therefore, used a multiple theoretical approach with the relevant theories being agency, stakeholder, legitimacy, and Signalling. According to Love (2000), the use of multiple theoretical approach in conducting research is due to two reasons. The first is where research has several aspects of a research problem. The first aspect of this research was to determine the level of disclosures in annual reports so that that users can evaluate legitimacy in terms of meeting the needs of various stakeholders. Therefore, the use of both stakeholder theory and legitimacy theory may be justified. Another aspect of the study was to determine how prepared companies

are in terms of disclosures and how these levels are related to the purpose of adopting integrated reporting. This may require, for example, the use of agency theory. Secondly, using multiple theoretical perspectives is justified where the research involves both quantitative and qualitative aspects i.e. mixed methods. In the current study, assessing the extent of disclosures and evaluating their relationships, and company characteristics is quantitative hence the use of agency and legitimacy theories. Establishing the perspective and views of various stakeholders is qualitative and thus stakeholders' theory may be more appropriate here.

Section 2.5.2 provides a discussion of the theories and their role in this study.

2.5.2 Agency Theory

In agency theory, the discussion usually starts with an explanation of the principal-agent relationship (agency) in law and economics. In law, an agency is a contract between the agent and the principal where the agent derives powers to act for and on behalf of the principal (Lan & Heracleous, 2010). In economics, the agency relationship arises in a company as posited by Adam Smith in the seminal book of "The Wealth of Nations" (Jensen & Meckling, 1976). According to Smith, the owners of a company i.e. shareholders are the principals. Shareholders, because of the structure of the company and other legal requirements, may not manage the company, therefore delegate this role to the directors. The directors are considered the agents of the shareholders. In this context, the agency relationship is between the shareholders and the directors. The directors act on behalf of the shareholders.

Smith explained that the separation of ownership and management leads to conflicts between the principal (shareholders) and agent (directors) resulting in negative economic and organizational outcomes. Deegan and Unerman (2006) argue that all action by individuals is motivated by self-interest. Eisenhardt (1989) explains that the shareholders (principals) and the directors (agents) have partly differing goals and risk preferences ranging from pay, control, management, pecking order, and transfer pricing.

Agency theory highlights that a source of conflict of interest between shareholders and directors is due to partly differing goals (Berle & Means, 1991; Jensen & Meckling, 1976; Fama & Jensen, 1983). Conflicts of interest manifest when individuals in management want to take care of their interests and maximize their wealth, instead of maximizing the wealth of shareholders. Under agency theory, unless appropriate governance mechanisms are put in place, the agent will act in self-interest rather than in the principal's interest.

The governance mechanisms to manage the conflict of interest between management and shareholders include the use of the board of directors as an information system for shareholders (Fama & Jensen, 1983); risk-sharing (for example directors owning equity in the company through executive stock compensation); and monitoring the agent, for example through corporate reporting and audits (Eisenhardt 1989; Healy & Palepu, 2001).

Agency theory has been supported and also criticized by various authors. First, Perrow (1986) explains that agency theory enables organizations to focus on the importance of self-interest and incentives. This enables organizations to mitigate negative economic effects that may arise when the interests of directors are not aligned with those of shareholders. Second, agency theory helps organizations focus on information systems and reporting mechanisms that help reduce the self-interests of agents and managerial supervision (Eisenhardt, 1989). For this reason, it is expected that directors/management will provide high quality (more disclosures for example), relevant and timely annual reports. However, critics of agency theory argue that the proposals to mitigate agency problem of self-interest may not work in all situations (Dalton, Daily, Ellstrand, & Johnson, 1998; Dalton, Daily, Certo, & Roengpitya, 2003; Dalton, Hitt, Certo, & Dalton, 2007). For example, some performance-based remuneration schemes for executives do not fully align the directors' interests to that of the company. Second, Hirsch, Michaels, and Friedman (1987) argue that agency theory on its own may be valid but presents a partial view of the organization and hence, requires to be complemented with other theories, such as stakeholders. Furthermore, the assumption of self-interest as proposed by agency theory, may not apply in all situations for example in less mature markets where institutions and regulations are weak and hence difficult to enforce laws (McCarthy & Puffer, 2008). Besides, agency theory cannot explain all situations due to the dynamic nature of environments in which organizations operate (Perrow, 1986). This partially explains the reason empirical studies on corporate reporting and disclosures that use agency theory report mixed results regarding the company features.

Eisenhardt (1989) explained that agency theory has led to positivists and principal-agent research lines. Positivist researchers first establish situations where the principal and the agent might have conflicts, then recommend mechanisms to reduce the conflicts and minimize the self-interest behavior of the agent. Positivist researchers have focused on the principal-agent relationship between shareholders and directors/managers (Berle & Means, 1991). Principal-agent researchers focus on the principal-agent relationship in general i.e. identifying situations where the principal-agent relationships can arise beyond shareholders and directors. Various situations

have been identified as having principal-agent relationships like that of employer and employee, lawyer and client, and buyers and suppliers (Harris & Raviv, 1978). The focus of this research was on positivist, viewing agency theory as the relationship between shareholders and directors in relation to disclosures, though the two are not mutually exclusive.

The preceding discussion has provided an explanation of agency theory being the first theory utilized in this research. The main premise is that companies are expected to prepare annual reports and make disclosures to minimize the self-interest of management and enhance the ability to monitor the management. Additional discussion on expectations about company variables from the theory and extent of disclosures will be highlighted in the theoretical framework. Due to the focus on shareholders' rights, agency theory is linked to shareholder primacy theory which recommends that the organization pays attention to the interest of shareholders. As recommended by Hirsch et al. (1987) and Love (2000), the next sections consider additional theories that supplement agency theory being stakeholder theory, legitimacy theory, and Signalling theory.

2.5.3 Stakeholder Theory

According to Freeman (1984), stakeholder theory asserts that a company's continuous existence requires the support of all stakeholders and not that of shareholders only. Freeman, therefore, suggests that an organization must address the needs of several individuals who may affect or be affected by the organization. Also, the use of stakeholder theory as one of the corporate disclosure theories in research is important as it provides insights into the motivation for companies to disclose more information as a way of managing stakeholder relations and engagement (Sharma, 2013).

Freeman posited stakeholder theory as an opposing view from the agency theory. The debate is between shareholder perspective and stakeholder perspectives (Letza, Sun & Kirkbride, 2004). The shareholder perspective views the company as a legal entity for shareholders to maximize their return, wealth, and other interests. Therefore, management should act for the benefit of the shareholder given the agency and shareholder primacy theories. However, according to stakeholder theory, a company has many contracts either directly or indirectly with more than one stakeholder and hence should meet the needs of all the stakeholders rather than focusing only on the needs of shareholders.

Stakeholder theory has received support from various authors. Kaler (2006) Analysing stakeholder theory from an ethical perspective, explained that a company

serves the interest of all stakeholders who are directly or indirectly affected by the company; therefore, a company should achieve justice and equality for all. In addition, Kaler (2006) argues that stakeholder theory will oblige companies to engage all stakeholders and hence include aspects of social and environmental practices within its normal operations and objectives. Wieland (2005) advocates for stakeholder theory because it has influenced corporate governance codes and practices to consider the interest of all stakeholders rather than those of shareholders only.

Stakeholder theory has also been criticized. Criticism ranges from the definition of the stakeholder, the categorization of the stakeholder, the stakeholder(s) to be given priority, and balancing the conflicting needs of all the stakeholders (Kaler, 2002; Kaler, 2003; Kaler, 2006). In addition to these criticisms, some authors feel that a company should not act beyond its main economic objective of maximizing the wealth of its owners, otherwise engaging in social and environmental activities is assumed to be a misallocation of resources (Jensen, 2001). Furthermore, according to Friedman (1970) and Sternberg (1997), when a business maximizes its owners' wealth and achieves important economic objectives, it will meet the needs of various stakeholders indirectly. For example, more profits translate to more taxes, which benefits society from Fiscal action by the government. Despite these criticisms, however, stakeholder theory is important in justifying the reason why a company should be accountable to several stakeholders rather than shareholders only, being the position taken in this study.

Before proceeding to the legitimacy theory, the definition of a stakeholder is important. The definition of a stakeholder is useful because it clarifies why the various stakeholders are important in the research. There are many definitions of a stakeholder for which this study cannot exhaust.

Freeman's classic definition of a stakeholder is:

“any group or individual who can affect or is affected by the achievement of the organization's objectives” (Freeman, 1984, p. 46).

According to Donaldson and Preston (1995), stakeholders are:

“all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits, and there is no prima facie priority of one set of interests and benefits over another” (Donaldson and Preston, 1995, p. 68).

According to Post, Preston and Sachs (2002), stakeholders are:

“individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and/or risk bearers” (Post et al., 2002, p. 58).

The definition and example of stakeholders provide a rationale for the choice of stakeholders in this study, being preparers (company management), regulators, and users (analysts who act on behalf of various parties like owners-investors). Boesso and Kumar (2009) explained that the interaction between the company and the stakeholders is affected by the company's perception of the stakeholder in terms of power, legitimacy, and urgency. For, example companies will disclose more financial information such as performance because of the power owners have over the business while less information on sustainability because the local community has less power to demand more information. However, the exclusion of other stakeholders in this study does not mean they are not important, but preparers, regulators, and users have an important and primary role in corporate reporting disclosures. Other studies can also focus on the perspectives of other stakeholders.

This study, therefore, posits that companies make disclosures to demonstrate they have met the needs of various stakeholders including shareholders, regulators, analysts, and the public. Therefore, the levels of IFRS, sustainability reports, and corporate governance reports disclosures were expected to be high. High disclosures in the three reports may also provide a rationale for adopting integrated reporting.

2.5.4 Legitimacy Theory

The definition of legitimacy is usually contextualized in corporate reporting disclosures by first defining the relationship between the company and its society through the social contract.

Shocker and Sethi define a social contract as:

“a contract expressed or implied, whereby its survival and growth are based on the delivery of some socially desirable ends to society in general and, the distribution of economic, social, or political benefits to groups from which it derives its power”.

Shocker and Sethi (1974, p. 67)

According to Mathews (1993), there is a “social contract” between the company and the society, made up of individuals, where the society grants the company the authority to use resources, but on condition that the use of resources by the company is to the benefit of the society. Deegan and Rankin (1996) explain that if the company does not fulfil this condition, then the society may revoke the contract, for example by lobbying customers to boycott the company's products, lobbying for the government to increase taxes, charge the company fines and lobbying for workers not to supply labour to the company.

Brown and Deegan expound on legitimacy as follows:

“Legitimacy theory focuses on the principle or assumption of a social contract, meaning that a company’s survival is dependent on the extent to which it operates within the bounds and norms of society and hence achieves organizational legitimacy.” Brown and Deegan (1998, p. 22)

Kaplan and Ruland define organizational legitimacy as:

“a process by which organizations seek approval from groups in society”. Kaplan and Ruland (1991, p .370)

Suchman proposes a detailed definition of legitimacy as:

“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” Suchman (1995, p. 574).

Given these definitions, legitimacy theory is when the organization acts in accordance with the expectations of the society as per the social contract. This is a form of legitimization. Maurer (1971, p. 361) points out that legitimization is “the process whereby an organization justifies to a peer or superordinate system its right to exist; that is to continue, import, transform, and export energy material or information”.

There are various perspectives of legitimacy theory and discussions on relevant stakeholders. Hearit (1995, p. 2) explains that there are four stages of organizational legitimacy. The first one is where organizations establish legitimacy by having socially acceptable standards of quality. The second stage is maintaining legitimacy by assuring that all is well (e.g. in preparing annual reports). The third stage is extending legitimacy when the organization enters new markets or changes the relationship with the current markets. Finally, the last stage is defending legitimacy, for example when its reputation is at stake.

Legitimacy theory provides the rationale for social and environmental reports (Reich, 1998; Neu, Warsame, & Pedwell, 1998; Deegan, 2002; O’Donovan, 2002; Milne & Patten, 2002; Deegan, Rankin, & Tobin, 2002). Deegan and Rankin (1997) explain that a company will disclose more information about social responsibility and environmental issues to justify its continued operation. Mousa (2004) adds that companies will also provide more information on social responsibility and environmental reports to enhance its reputation, comply with regulations and achieve competitive advantage.

2.5.5 Signalling Theory

Whereas the origin of Signalling theory is in human resources and labour, it is also applied in several aspects of management, strategy, and corporate disclosures (Connelly et al., 2011). Signalling theory begins from the context of information asymmetry i.e. when two parties (individuals or organizations) have or can access different information. Stiglitz (2000) posits that individuals make decisions based on both public and private information, however, because private information is only available to some individuals, this results in information asymmetry with those having access to private information making better decisions. Stiglitz explains that information asymmetry occurs because “different people know different things” (Stiglitz, 2000). Ross (1977), expounded on Signalling theory in corporate reporting disclosures. Ross explained that informational asymmetry arises in corporate disclosures because directors and management have access to inside or private information about the company which other parties cannot access until it is made public. Market participants and other stakeholders may therefore not know the nature of this information and even when the information becomes public to reduce the informational asymmetry, the market participants may not know exactly the intention of directors and management in providing the information.

Connelly et al. (2011) explain that the Signalling theory has three primary elements: signaller, signal, and receiver. Signallers are primarily insiders in a company i.e. directors and managers who have access to private information. Such information may relate to research results about the potential success of a new product and forecasts of potential losses by the company.

The element of the signal is the root of the Signalling theory, which is the actions that signallers (the management and directors) take to make the private information public i.e. reduce information asymmetry. Connelly et al. (2011) explain that signallers are motivated to disclose positive information, while they are cautious to report negative information. The authors also note that acting on or releasing positive information may have negative unintended consequences. For example, paying dividends to signal a profitable organization may be interpreted as lacking future investment opportunities by some market participants. Bird and Smith (2005) also emphasize that a signal must have two important features: must be observable and relevant for decision making.

The third element of Signalling theory is the receiver of the signal. The receiver(s) are usually those outside the organization and do not have access to the

information but would like to receive the information and make decisions or act on the information. For example, receivers are shareholders and other investors.

Studies that have used the Signalling theory and corporate disclosures, support the view of Connelly et al. (2011) that companies will prefer to report positive information such as profitability, hence report more and provide more disclosures to direct positive actions by market participants. Verrecchia (1983), Dye (1985), Trueman (1986), and Miller (2002) explain that well-performing companies use corporate annual reports to signal or show better performance. However, other studies have shown no relationship between disclosure levels and firm performance (McNally et al., 1982). Wallace and Naser (1995) reported an inverse relationship between disclosure levels and firm performance.

Stiglitz (2002, p. 473) explained that some individuals in an organization wish to have some information conveyed, while others do not, but actions to convey information or not lead to changes in behavior by receivers. Information asymmetry has an impact especially in management and financial markets because investment decisions rely on information disclosed i.e. the signal.

In this study, the Signalling theory provides the rationale for some disclosures that companies make. Toms (2002) and Hasseldine, Salama and Toms, (2005) have extended the Signalling theory as a basis of establishing whether disclosure of more information in social and environmental reports enhances the company's reputation. The study confirmed that this is the case because companies send the signal of efficient use of resources. The current study, therefore, expected a positive relationship between factors like profitability and sustainability disclosures. Using the Signalling theory, the study expected analysts, being the receivers of the signal i.e. information from annual reports, to provide their perceptions about the current reporting and integrated reporting practices by companies and on the usefulness of the information.

With integrated reporting, part of the integrated reporting framework that deals with the signal is Par. 3.39 "An integrated report should include all material matters, both positive and negative, in a balanced way and without material error."

Par. 3.44 further states that:

"A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasized, de-emphasized, combined, offset, or otherwise manipulated to change the probability that it will be received either favorably or unfavorably" (IIRC, 2013).

The integrated reporting framework aims to have companies signal value creation and future strategy. To this extent, an integrated report, viewed from the Signalling theory perspective, should send the correct signal about the company's value creation in a balanced manner. The question is whether preparers can send this signal and whether it is perceived by the users of the integrated report. The study established the perspectives of preparers and what signal they wish to send to the users and at the same time if this is the same signal that receivers perceive.

2.6 Empirical Literature

2.6.1 Introduction

This section discusses the relevant studies carried out in corporate reporting. There is a vast empirical literature focusing on disclosures of financial and non-financial information, with those on integrated reporting growing. The literature review is based on peer-reviewed articles (except for the study conducted by reputable organizations like the IIRC and Deloitte in 2012 on stakeholders' perspectives on integrated reporting) with the emphasis on disclosures and the associated company factors. Also, the empirical literature does not consider sector-specific studies, for example, banks or extractive industries.

2.6.2 Financial and Non-Financial Information Disclosures

2.6.2.1 Financial Information Disclosures – Compliance with IFRSs

Shehu and Masunda (2015), discuss the vast empirical literature on compliance with IFRS/IAS. These studies have considered the adoption of IFRS, the impact of adopting IFRS, the level of disclosures, and compliance levels with IFRS and company factors that are associated with disclosures and compliance. This section will focus on compliance levels and company features and the most recent studies from 2000, except for the introductory study of Tower, Hancock, and Taplin (1999). IFRS and IAS terms have been used interchangeably in most of the studies.

Tower et al. (1999) examined the extent to which companies in Australia, Hong Kong, Malaysia, the Philippines, Singapore, and Thailand comply with disclosure requirements of IFRS. Annual reports with a year-end of 1997 from 60 companies, ten from each country were selected randomly. The study also analysed the relationship between disclosures and company-specific characteristics like country of origin, size (as measured by Total Assets), leverage (Long Terms Liabilities to Total Equity), profit (Return on Assets), and industry. Using an unweighted dichotomous scoring index, the

authors established that Australia, Thailand, Singapore, and Malaysia showed a significant level of compliance with IAS as high as 94%.

Taplin, Tower, and Hancock (2002) extended their work above and their subsequent study revealed the same levels of scores on compliance with IFRS. Also, the study found that compliance levels were low for IAS 7 – Statement of Cash Flows, IAS 22 – Business Combinations and IAS 28 – Associate Companies. Using One Way ANOVA, the study also established that profitable companies have clear disclosures on the measurement of items in the financial statements. Based on agency theory, it is expected that profitable companies will disclose more information and hence the findings are consistent with theory. The authors Analysed 26 accounting standards applicable.

Likewise, Street and Gray (2002) examined the annual reports (with the year 1998) of 279 companies from over 30 countries to establish compliance with IFRS and the associated company factors with the aid of multivariate OLS regression. The company factors that were Analysed included: size (total revenue), sector, profitability (measurement not provided), type of auditor, country, listing status, and size of the local stock market. Using an unweighted dichotomous scoring index, the authors established that the average compliance was 72% with a positive association between IFRS and listing status and sector, but no association with size, profitability, and sector. The study was more robust than that of Tower et al. (1999) and extended by Taplin et al. (2002) in terms of the number of countries and additional company variables, such as type of auditor and the size of the local stock market. The average compliance is lower though, most likely affected by the different country status, for example in terms of regulation. However, the finding of no association with profitability is not in line with agency theory, in which we expect a profitable company to make more disclosures to make it easy for monitoring the company. The study, however, did not provide the construct for measuring profitability.

Glaum and Street (2003) also sampled 100 German firms that prepare their financial statements under IFRS and another 100 firms that prepare their financial statements under the US Financial Accounting Standards (FAS). The authors, using a self-constructed checklist for both standards and awarding scores using the dichotomous approach, found that the annual reports of the year 2000 had compliance levels averaging 84% with both sets of standards. Using multivariate regression, the authors found a significant positive association of compliance with the auditor and also for those companies that are cross-listed. However, the study did not find an association with other factors such as size (market value of equity plus the market value of debt), profitability (ROE), age, and ownership (local or foreign). This study

supports the findings of Street and Gray (2002) to the extent of the type of auditor but Analysing one country has the potential to improve disclosures and compliance with IFRS, because all the companies are faced with the same regulation. The study, though, was not robust due to a few variables.

Like in the study of Tower et al. (1999), Al-Shammari, Brown, and Tarca (2008) established the extent to which companies in the Gulf Co-operation Council (GCC) member countries comply with IAS. The study sampled over 130 companies from Kuwait, Bahrain, Oman, Saudi Arabia, the United Arab Emirates, and Qatar, from the year 1996 to the year 2002. The authors using unweighted dichotomous scoring with a self-constructed Index for IAS found disclosures of IFRS had increased over time with an average of 72% with IFRS. Using multivariate regression analysis, the study found a positive and significant association between IAS compliance and sector, size (total assets), leverage (debt to equity), age, and internationality (local or foreign). The study, however, did not find any association with the type of auditor. The findings support those of Street and Gray (2002), though the latter had fewer variables. The company variables that are positively correlated with disclosure levels also resonate with agency and stakeholder theories. A notable feature is that the companies in both states operate in the same economic and regulatory environment.

Ioannis (2009) Analysed 238 companies in Greece with the year-ends of 2005, being the first year for compliance with IFRSs. According to the study, the average compliance level with IFRS disclosures was 80% with a positive and significant association with profitability (using net income), size (as measured by shareholders' equity), and type of auditor. Like in the study of Glaum and Street (2003), the level of compliance is high as the companies operate in the same regulatory environment. The study also supported that of Taplin et al. (2002) in terms of profitability and Glaum and Street (2003), and auditor, having a positive and significant association with the level of IFRS disclosures.

Hodgdon, Tondkar, Adhikari, and Harless (2009) examined the annual reports of 100 companies (years 1999 and 2000) that are listed outside the US for compliance with IFRS. The authors used an unweighted dichotomous scoring index, established compliance levels of 58% in 1999, and a small increase to 64% in 2000. The growth in disclosure levels was considered significant, but no reason for the growth was provided. Also, using Pooled OLS econometric model, disclosure levels were positively associated with size (Total Revenue) and type of auditor (if big five), but negatively associated with profitability (ROE). The study found no association with leverage (measured as total liabilities/total assets). The findings on variables are in line with prior studies except for profitability. A negative association between IFRS disclosures

and profitability means that more profitable companies are disclosing less, while less profitable companies are disclosing more. This finding contradicts the agency theory, in which it is expected that profitable companies disclose more. Perhaps less profitable companies are making more disclosures to shed more light on the situation. However, the reason why profitable companies may disclose less is little motivation to justify the outcome.

Ballas and Tzovas (2010) examined the annual reports of 32 companies in Greece for compliance with IFRS disclosures. Using an unweighted dichotomous scoring, the study established compliance levels of 67%. Using quantile regression, the study found a significant positive association between disclosures levels and size (Total Assets). However, there was no association between IFRS disclosures and sector and profitability (ROE, ROA, and Profit After Tax). This study, like that of Ioannis (2009) used the same companies in Greece, but the results are contrasting, maybe due to the timing of the study of Ioannis or the method used in the analysis or even due to a lower sample. For example, the compliance level for the current sample is substantially lower signifying a reduction in compliance levels. Also, whereas Ioannis (2009) established a significant association with profitability, Ballas and Tzovas (2010) found no association. Also, the authors used IFRS for SMEs providing a rationale that most companies are small and medium-sized.

Al-Shammari (2011) and Juhmani (2012) carried out studies in Kuwait and Bahrain respectively. Al-Shammari (2011) examined the annual reports for the year 2008 of 168 listed companies in Kuwait for compliance with IFRS, together with associated company factors. The study established an IFRS compliance level of 82% with a positive and significant association with the type of auditor, age, size, and internationality. Meanwhile, the study established a negative association with liquidity (measured as current assets/current liabilities). Juhmani (2012) examined the annual reports with a year-end of 2010, for 41 companies in Bahrain. The study established an average compliance of 81% with IFRS disclosures. Size and the type of audit firm had a significant positive relationship with compliance levels but no association with leverage, profitability, and age. Besides the differences between the two countries, the two studies reported similar results in terms of disclosure levels and only the type of auditor being positively associated with disclosures. However, age had mixed results with IFRS disclosure, with a positive association in Kuwait but no association in Bahrain. The two studies, however, supported the findings from prior studies on the type of auditor and age being an additional variable.

Yiadom and Atsunyo (2014) examined the annual reports of 31 companies listed on the Ghana Stock Exchange for compliance with only five IFRSs (IAS 12–

Taxes, 16–Property, Plant, and Equipment, 17–Leases, 18–Revenue and 19–Employee benefits). The annual reports were for the year 2010 and the study applied correlation, multiple regression, and ANOVA to Analyse the association between compliance levels and company factors. Using the unweighted dichotomous self-constructed index, the study reported a compliance level of 86%. Also, the study found a positive and significant association between disclosures and profitability (ROE and ROA), size (Total Assets and Total Equity), auditor type, sector, and internationality. Just like other studies that focus on one country, the disclosure levels are high, and all other company variables are in line with the theoretical and empirical literature. However, given that in 2014, IASB had in issue more than 40 accounting standards, the five variables used in the study could be few for generalizability.

In Kenya, McFie (2010) examined the level of IFRS compliance for all the 47 companies listed on the NSE with a financial year-end between 30 June 2002 and 31 March 2003. Using an unweighted dichotomous disclosure index, the study established that compliance with IFRS disclosures is high, but yet to reach expected thresholds (thresholds not defined but assumed to be 100%). Also, IFRS disclosures had a significant positive association with dividend payout, a significant negative association with company auditor but no association with factors like company size (Total Assets), number of shareholders, level of investment by the parent, age and leverage (Debt to Debt + Equity) of company and type of sector based on both univariate and multivariate regression analysis. Though the study did not highlight the levels of compliance and was cross-sectional, the question is whether there has been an improvement in IFRS compliance over time. Besides, the findings of a negative association with size and type of auditor don't support empirical literature. However, no association with other company variables like age and leverage is in line with the prior empirical literature.

Kipchoge (2015) analysed company factors that contribute to compliance with IFRS for 30 companies (excluding insurance and banks). The annual reports were for the year 2007 to the year 2011. The study found an average disclosure level of 71% for the sample using an unweighted dichotomous scoring index. The moderating multiple regression used reported that profitability (Net Income), liquidity (Current Ratio), and firm size (Total Assets) contribute to higher IFRS disclosure, while leverage (Debt to Equity) does not contribute to high IFRS compliance. This study, though panel data, did not provide a trend. However, it provides an up to date analysis from that of McFie (2010). In addition, the use of moderating multiple regression may pose a challenge in the analysis due to endogeneity (difference across time and companies),

a problem addressed by the use of static and dynamic panel data models. Finally, the study was not robust because it excluded financial institutions and used only 21 IFRSs.

In evaluating the studies above, the focus has been on compliance with IFRS and associated company factors. The compliance levels are different across the many studies (from a low of 58% to a high of 94%). As explained in introduction, the difference could be attributable to various factors from country context, company context and study design. Apart from the size of the company, the other factors show mixed results of either positive/negative or no association with IFRS disclosures. Company variables seem to be important in explaining the levels of disclosures and therefore, the adoption of new reporting methods such as integrated reporting. Given these empirical findings, the current study established how these company variables relate to the disclosures.

Most of the empirical studies discussed were cross-sectional. Like in the studies of Street and Gray (2002) and Kipchoge (2015), the current study determined levels of disclosures based on a longitudinal study from 2010 to 2016 to establish the levels and trends. This was necessary to check improvement in corporate reporting over time and how these trends and levels are associated with various company features. Furthermore, improvements in IFRS disclosures, from the financial information perspective, may indicate the potential to transition to integrated reporting.

Finally, many studies provided the levels of compliance without highlighting the key areas of non-compliance with IFRS. The current study conducted within the background of integrated reporting, identified the key areas of non-compliance and how these areas relate to integrated reporting. For example, non-compliance with disclosures required by IFRS on intangible assets may indicate a challenge of providing information on intellectual capital in the integrated report.

2.6.2.2 Non-Financial Disclosures – Sustainability and Corporate Governance Disclosures

There is also a vast empirical literature on sustainability reporting (See Dienes, Sassen and Fischer [2016] for details). These studies range from the justification of sustainability reporting (Adams, 2002), sustainability reporting in different countries and sectors (Branco & Delgado, 2011), compliance levels with global benchmarks such as those of GRI and Triple Bottom Line and country/company factors that influence sustainability reporting and practices.

This section provides a summary of empirical studies on sustainability disclosures and company factors. Unlike the studies on IFRS compliance that provide

scores, studies on corporate sustainability reporting emphasize company factors and less on disclosure levels. In addition, since the early 1990s when sustainability reporting began, there have been many studies and hence the focus here was to refine to the most recent studies beginning in 2010. The rationale for this is because this period aids to establish emerging themes and important company factors that influence sustainability disclosures. For a discussion of studies prior to 2010, see Dienes et al. (2016). Finally, studies for specific sectors like banks are also not considered (See Khan, 2010, for example).

Morhardt (2010), studied a sample of Fortune 1000 companies in the US and Fortune Global 500, the extent to which CSR disclosures are made on their websites. The sample was 454 companies. The study, utilizing a multivariate regression found a positive association between size (as measured by Revenue) and sustainability disclosures, but a large variation in environmental disclosures across sectors. Other company variables were not measured. Like in the IFRS studies, size appears to be an important variable in CSR disclosures as well. In addition, the sector plays a very important role in CSR disclosure. For example, companies in the extractive and manufacturing sectors may disclose more as the impact of their activities can be easily established. However, because of the different country and company context, the use of websites for sustainability reporting has limited provision of information and may bias the results and findings. Wangombe (2013), found that environmental reporting in Kenya is low, varies cross-sectional and in media with high disclosures in standalone reports, but low in websites and annual reports that contain other information. The author though noted companies were biased in their environmental reports, focusing on the positive.

Khasharmeh and Suwaidan (2010), using a self-constructed index, studied the annual reports of the year 2006 for CSR disclosures of 60 companies listed in 12 member countries of GCC. Using multivariate regression, the study analysed relationship between disclosures and company variables being: Firm size (Total Assets), Profitability (measured by Earnings Per Share), Capital structure (debt ratio i.e. total liabilities divided by total assets) and size (measured by total assets) and Ownership structure (foreign, local or state ownership) and the type of auditor. The study found that CSR disclosures averaged 26% and that size and type of auditor reported a positive association with disclosures. However, there was no significant association between disclosures and the other company variables. Size again appears to be important in this case. The fact that other variables are not associated with CSR disclosures, like in IFRS, may have implications for disclosure theories such as stakeholder, implying less support.

Similarly, Dilling (2010) analysed the annual reports for the year 2007 of 124 companies across 25 countries for CSR disclosures and association with various company disclosures. The author developed an index using the GRI–G3 sustainability disclosures and used multivariate Binary Logistic Regression, analysed the following company variables: profitability (Net Profit Margin), firm growth (Five-year Growth Sales), size (Market Capitalization), capital structure (Debt to Equity), country of domicile and sector, the number of members in the board, the number of meetings held, the presence of an audit committee and the presence of the sustainability committee. The key findings were that CSR disclosure levels were low. In addition, the study found a positive association between CSR disclosures and sector (especially those in the oil and manufacturing), country of domicile (for example those in Europe) and profitability. Meanwhile, there was a negative significant association with those companies experiencing high growth rates. There was no association between CSR disclosures and the remaining factors.

Rouf and Hossain (2011), studied the annual reports of 93 companies in Bangladesh, with the financial year of 2007 for social responsibility disclosures, using an unweighted self-constructed index. The study used OLS regression to establish the association between social responsibility disclosures and firm size (as measured by total assets and total revenues), ownership and profitability (Net Profit), the board size, board leadership, audit committee and board independence. The study did not provide the levels of disclosures and found a positive association with the audit committee, the board size, board leadership and a negative association with profitability, ownership and board independence.

Fernando and Pandey (2012), analysed the annual reports of 232 listed companies in Sri Lanka for the year 2010 for GRI sustainability disclosures and associated company factors. The authors reported that the levels of CSR disclosures are not satisfactory and focus on positive aspects. The study reported that only 34% of the firms had adopted the GRI sustainability reporting. Of the adopters, companies had an average of only 9 pages disclosing sustainability matters. Multivariate regression was used to analyse the relationship between CSR disclosures and company factors with the relevant variables being the size (measured using market capitalization, total assets, total revenue) and profitability (using Net Profit, Return on Equity, Return on Assets or Earnings Per Share). The results showed that even though the size is an important factor in explaining CSR disclosures, the different constructs used to measure size like total assets and revenue report mixed results with regards to association with CSR disclosures.

Bayoud, Kavanagh, and Slaughter (2012) analysed the annual reports of 40 listed companies in Libya with annual year-ends of between 2007 and 2009. The study used a self-constructed CSR disclosure and considered company factors such as firm size (measured as total assets) age and profitability (measured using ROA, ROE, and Revenues). From the multivariate regression the study reported a positive and significant relationship between CSR disclosures and size, age and profitability. The results for size are the same as those of prior studies, but age and profitability contradict those of Rouf and Hossain (2011), showing that the relationship between CSR disclosures and profitability and age are not conclusive.

Wang, Song, and Yao (2013) studied the annual reports of 800 listed companies in China, with year-ends between 2009 and 2010 for CSR disclosures. The study used a self-constructed disclosure checklist to score companies based on their CSR disclosures. The index was based on the Guideline of Corporate Social Responsibility for Listed Firms as Shenzhen Stock Exchange (SZSE) and GRI Sustainability guidelines. The authors, with the use of a multivariate regression, established that CSR disclosure is positively associated with ownership concentration, sector, size (Total Assets) and media exposure. The study had a unique variable for media exposure but was not used in the current study.

Shamil, Shaikh, Ho, and Krishnan (2014) analysed the annual reports of 148 listed companies in Sri Lanka with a year-end of 2012 for CSR disclosures. The study was anchored on the agency and legitimacy theories. The study used a binary logistic regression to analyse the relationship between CSR disclosures and company variables such as board size, board gender, board independence, size (Measured as total assets), firm growth (market value of shares/ book value of equity) and age. The study established a positive association of CSR reporting with board size, dual leadership, size and firm growth using a binary logistic regression. The study also established a negative relationship of CSR disclosures with a high number of female directors on the board and age. However, there was no association between CSR disclosures and board independence.

Andrikopoulos, Samitas, and Bekiaris (2014) analysed the websites of 93 companies in Europe during the year 2009, for CSR disclosures. The study used a self-constructed unweighted dichotomous CSR index (borrowing from United Nations and GRI). Multivariate regression analysis was applied to study the relationship between CSR disclosures and the following company variables; Size (Total assets), Profitability (ROE), Leverage (ratio of the book value of debt over book value of equity) and Firm growth (market-to-book value). The main finding was that size and leverage are positively and significantly associated with CSR disclosure but, no association

between profitability and firm growth and CSR disclosures. The findings of size are empirically supported but those of leverage, profitability present contrasting results with other empirical studies.

Studies on corporate governance disclosures have also been carried out. Ben-Amar and Boujenoui (2007) analysed the annual reports for years 2002 (214 companies), 2003 (182 companies) and 2004 (191 companies) of listed companies in Canada. The study used the Globe and Mail Annual Corporate governance disclosure score and a trichotomous unweighted scale (Poor, Fair and Excellent). Using the multivariate regression, the study reported a positive relationship between the quality of corporate governance disclosures and board independence and firm size (Measured as Total Assets). Meanwhile, then study found a negative relationship between ownership (concentrated shareholding) and CEO duality i.e. where the CEO is also the chairman of the board. These findings contrast with some of the studies discussed next.

Cheung, Connelly, Limpaphayom, and Zhou (2007) compared corporate governance disclosures and company features of 337 listed companies in Hong Kong and 168 listed companies Thailand. Using a dichotomous self-constructed disclosure Index from the OECD corporate governance principles, the study analysed the annual reports for year 2002. By applying simple linear regression and Pooled OLS for various company features and corporate governance disclosures, the study revealed country differences. In Hongkong, the authors established that size (total assets) was positively significant with corporate governance disclosures but negatively significant with the number of non-executive directors. However, in Thailand, there was no association between size and corporate governance disclosures. The rest of the company variables such as Profitability (ROA), investor value/firm growth (Tobin Q), leverage (Total Liabilities/Total Assets) and board have no association with corporate governance principles (in Thailand Board size was positive but not significant).

Pahuja and Bhatia (2012) analysed the annual reports of 50 listed companies in India for corporate governance disclosures and the associated company attributes. The main company attributes that were analysed using multivariate regression: Size (Total Assets and Market Capitalization), Growth (Market to Book Value and Tobin Q), Profitability (ROE and ROA), Leverage (Debt to Equity) and Board Independence (Number of independent directors). The authors conclude that listed companies have a lot of room for improvement. Like prior studies, size was the only factor that was positively associated with corporate governance scores. In contrast and similarly to prior literature, the rest of the variables had no association with corporate governance disclosures.

Samaha, Dahawy, Hussainey and Stapleton (2012) assessed the extent of corporate governance voluntary disclosure and association with company attributes: Board size and firm size, dual leadership, ownership by directors, concentrated shareholding and audit committee. The auditors analysed financial statements and websites of 100 companies listed on Egyptian Stock Exchange (EGX) and scored companies using a self-constructed unweighted dichotomous index. Even though the authors found a lack of compliance with some aspects of corporate governance guidelines required by the local regulators, they did not provide the details. The authors, using binary logistics regression, found a positive association between corporate governance disclosures and the number of independent directors, size of the company and board size, but the negative association with dual leadership and concentrated shareholding.

Elmagrhi, Ntim, and Wang (2016) investigated corporate governance disclosures and relevant firm attributes in 100 listed companies in the UK. The study analysed the annual reports from 2008 to 2013 and used the self-constructed unweighted disclosure index borrowing from the 2010 UK combined code of corporate governance. The study found substantial variation in corporate governance disclosures, with a positive association between corporate governance disclosures and board size, board independence based on the number of outside directors and board diversity (Proportion of women on board). The study found a negative association between board ownership and corporate governance scores. This study based on the available literature being one of the first to apply the fixed effect econometric panel data model to analyse the relationship between corporate governance variables and firm features. However, the study omitted a number of firm features that are of interest such as size and profitability.

Cunha and Mendez (2017) analysed the annual reports of 34 to 39 companies listed in the Lisbon (Portugal) from 2005 to 2011, to establish the levels of corporate governance disclosures and firm variables. A self-constructed unweighted index borrowed from OECD corporate governance principles, modified for listed companies in Portugal was used for scoring companies. To measure the association between company variables and disclosures scores, an ordinal logistic regression model was used. The key findings were that Size (measured as total assets), and growth (Tobin Q) were significantly positively associated with corporate governance disclosures. Meanwhile, leverage (Total Debt) was negatively associated with corporate governance disclosures, and no association between profitability (ROE) and corporate governance disclosures.

Some seminal studies have combined both sustainability reporting and corporate governance reporting and focused on the provision of voluntary non-financial information. However, it is not clear, which aspects of corporate governance are voluntary given that in many countries, corporate governance reporting is mandatory. For example, an earlier study by Meek, Roberts, and Gray (1995), examined the factors influencing voluntary disclosures of strategic, non-financial and financial information in the annual reports of Multinational Corporations from the US (116 companies), UK (64 companies) and Continental Europe (18 Companies). The authors compiled a checklist based on international trends and observations of standard reporting practices and assigned scores to companies based on this checklist. Using multiple regression, the study found that company size (revenue), country or region, listing status, and industry (to a lesser extent) are the most important factors explaining voluntary disclosures of non-financial information. However, there was no association between profitability (Return on Sales) and leverage (Debt to Equity).

In Kenya, Barako, Hancock, and Izan (2006), using agency theory investigated the extent to which corporate governance attributes, ownership structure, and company characteristics influence voluntary disclosure practices in Kenya's listed companies from the year 1992 to 2001. By using document analysis, a disclosure index, and regression model, the study found that the extent of voluntary disclosure in the annual report is related to a company's corporate governance attributes, ownership structure, and company characteristics. The study also found that the presence of an audit committee, levels of institutional and foreign ownership, size (Total Assets), and leverage (Total Liabilities/Total Assets) are positively correlated with voluntary disclosures. However, board leadership structure, liquidity (Current Ratio), profitability (ROE), and type of external audit firm do not have a significant influence on the level of voluntary disclosure.

McFie (2010), in addition to Analysing the level of compliance with IFRS as discussed in section 3.2.2.1, also Analysed the level of voluntary disclosures as measured by the Standard and Poor's Transparency and Disclosure Survey 2003. The results showed that there is a significant positive relationship between the number of shareholders and ownership (whether foreign or local). However, there was no significant association between voluntary disclosures and company size (contradicting the majority of the empirical studies), level of shareholding by the parent, the dividend payout, the company auditor, and industry.

A highlight of the findings from sustainability and corporate governance and other voluntary disclosures is that for company attributes associated with these disclosures only company size is positive and significant for most of them. For the rest

of the variables, the results are mixed. The mixed results may be explained by several factors such as country characteristics, choice of the variables and constructs used in measuring the company attributes, the instruments that have been used in scoring, and the analytical models that are applied. Most of the studies have also been cross-sectional, checking disclosures at a specific point in time, with less emphasis on trends.

In terms of CSR and corporate governance, this study contributed to the empirical literature in several ways. First, the study determined compliance levels with various international benchmarks for non-financial information such as the GRI for sustainability reporting and OECD/CMA corporate governance to identify key areas of non-compliance and how these relate to integrated reporting. The study determined the trends in the provision of non-financial information over the seven years to highlight improvements in compliance levels and hence the provision of non-financial information. These improvements in disclosures of non-financial information may indicate the potential to adopt integrated reporting. For example, disclosure levels of sustainability reporting contribute to social and natural capitals given in the integrated report.

Second, this study, like Elmagrhi et al. (2016) and Cunha and Mendez (2017), determined compliance levels over time to identify trends in sustainability and corporate governance reporting and associated company factors. In addition to checking compliance with IFRS, the objective was to determine the trends and potential growth of sustainability and disclosures and hence the readiness to adopt integrated reporting.

Third, the study, in the context of integrated reporting identified important company variables that are associated with various disclosures and their relationship with integrated reporting. Most empirical studies reported size as an important variable that is positively associated with almost all disclosures. There was potential, even before Analysing data, to conclude that large companies will likely adopt integrated reporting. However, company factors like profitability and leverage report mixed results and this implies that it is not clear whether profitable companies and those that have debt have the potential to adopt integrated reporting. This analysis is aided by both static and dynamic panel data econometric models.

Finally, the study determined, the interrelationship between the three aspects of reporting: the relationship between IFRS disclosures and sustainability disclosures, the relationship between IFRS disclosures and corporate governance disclosures, and the relationship between sustainability disclosures and corporate governance disclosures for listed companies in Kenya. This was important to identify potential gaps in the provision of both financial and non-financial information to adopt integrated

reporting. For example, if there is a low correlation between IFRS compliance and sustainability compliance, it implies that companies complying more with IFRS may provide more information on financial and manufacturing capitals while providing less information on natural and social capitals as required by integrated reporting.

2.6.3 Studies on Integrated Reporting

2.6.3.1 Integrated Reporting in Various Countries and Sectors

Jensen and Berg (2012) utilized institutional theory to compare associated factors of sustainability reporting to those that are associated with integrated reporting in different countries. The authors found that integrated reporting companies are different from sustainability reporting companies where investor protection is high, and the financial system has a high degree of coordination. Also, integrated reporting companies are likely to come from countries where there is a high investment in tertiary education, a high national corporate social responsibility, high self-expression of secular values, and high economic development. The data analysed was made up of companies that published sustainability reports (as from the Global Reporting Initiative best in class companies of 2009) and companies that prepared integrated reporting (as listed by IIRC reports and other sources). The authors suggested that integrated reporting is driven by factors such as strong investor protection through capital markets and corporate social responsibility. Focusing only on variables like high economic development given the context of the current study, it seems that emerging markets may have a challenge in reporting sustainability matters and to some extent, adopting integrated reporting.

Deloitte (2012), analysed the quality of integrated reports of companies quoted on the Johannesburg Stock Exchange between March 2011 and February 2012 and classified the period into three, based on when the reports were submitted (Period 1 – March 2011 to May 2011; Period 2 – June 2011 to September 2011 and Period 3 – October 2011 to February 2012). Even though the study reported an improvement in the overall quality of integrated reporting, the rate of improvement had decreased from period 2 to 3 as compared to period one to two. Also, companies had challenges in reporting sustainability issues, with their integrated reports being too long, ethical issues not well-articulated, and no assurance by auditors. The study also revealed that companies in the financial services, extractive, and consumer businesses outperformed other industries in terms of quality of reporting. Perhaps, the reason for better reporting by financial services is due to strict regulation.

Kass (2012) analysed the rate of adoption of integrated reporting by South Africa companies. The study found an adoption rate of 58% for companies. In this study, Kass used a questionnaire to get the perspectives of South African companies towards integrated reporting. Companies reported as having no problem with the 'comply or explain' approach to integrated reporting, though they faced some challenges and opportunities in adopting integrated reporting. The challenges ranged from additional time and financial resources required disclosure of confidential information and information overload and loss of the target audience. Opportunities: integrated reporting will enhance the inclusion of sustainability issues in corporate reporting; more integrated thinking in management and decision making; better risk identification and better management of the organization. The current study improves on the findings of Kass by establishing key challenges and opportunities of integrated reporting in the context of Kenya, and the various company variables such as size and sector, and their association with the adoption of integrated reporting.

Van Zyl (2013) aimed to establish whether integrated reporting by large private companies in South Africa has led to an improvement in the quality of sustainability reports that are prepared. The first stage was to develop an evaluation matrix for testing the quality of sustainability reporting. The study found that there is little improvement in the social and environmental reports and companies are yet to embed social and environmental issues in their strategies and in reporting. The study is useful as it highlights the relationship between sustainability reporting and integrated reporting. This study supports the findings of Deloitte (2012) that integrated reporting may not lead to improvements in sustainability reporting.

García-Sánchez, Isabel-María, Rodríguez-Ariza, Lázaro and Frías-Aceituno, José-Valeriano, (2013) sought to examine the effect of the legal system (civil law systems and strict enforcement of regulations) on integrated reporting based on institutional theory. The study used a sample of 750 companies as per the Forbes Global list for 2008 to 2010 and applied a factor analysis together with 'econometric modeling'. Just like in the study of Jensen and Berg (2012), the findings were that companies with legal systems that protect investors are more likely to publish integrated reports. Given that emerging markets have issues with regulation, there is potential for the current study to arrive at similar findings. However, other than legal systems, there are other country-specific and company-specific variables that may also explain the adoption of integrated reporting.

Isabel-María, Lázaro, and José-Valeriano (2013) carried out a study that sought to establish how cultural systems may affect integrated reporting. The 1590 companies that cut across countries were selected from the Forbes Global 2000 list.

The study used Hofstede's cultural dimensions (individualism vs collectivism, masculinity vs femininity, tolerance vs uncertainty and power vs distance) as the dependent variable and an econometric model based on data dependency analysis. The findings were that size, industry, and profitability are positively correlated with integrated reporting and that countries with a collectivist, feminist cultural system tend to publish integrated reports. This study and the findings, given the context of developing economies, are more robust due to more company-specific variables. The findings on size and sector are in line with empirical studies.

Dragu and Tudor (2013), sought to determine the emergent factors for integrated reporting from an institutional perspective. The study used content analysis, disclosure indexing, and regression analysis. A sample was made up of 58 companies in the IIRC pilot program and had integrated reports between 2010 and 2012 and considered emerging determinants of the voluntary adoption of an integrated report being political, cultural, and economic. First, for the political factor, the hypothesis stated that companies with headquarters in civil law political systems tend to prepare an integrated report. For the economic factor, the hypothesis was stated as a country with a strong economy tends to prepare an integrated report. For culture, the hypothesis was that companies with high responsibility index tend to prepare an integrated report. The results of the regression model were mixed; a positive relationship between integrated reporting and political and economic factors, while a negative relationship with culture. This study added to the literature on country-specific factors of integrated reporting with an economic variable.

Mio and Fasan (2013) analysed the determinants of materiality in the integrated reports of companies given by IIRC. In the study, materiality, being the dependent variable, was regressed against various industry and company-specific factors. Materiality was transformed into quantitative data using content analysis with three proxies: Materiality Word Count, Materiality Word Count in the IR assurance statement, and Relevance. Findings showed that materiality disclosure is affected by the industry the company operates in rather than by company-specific factors. The main challenge of the study is trying to determine materiality thresholds and other interpretation issues that arise concerning content analysis. Materiality levels and thresholds are debatable, but the efforts of the authors are recognized. If the sector plays a major role in materiality levels, then this is in line with prior studies that have confirmed that the sector also influences sustainability and corporate governance disclosures.

Stubbs and Higgins (2014) carried out 23 in-depth semi-structured interviews with 15 participants from companies in Australia to investigate internal mechanisms that are employed by the companies to manage their reporting processes. The

companies were at different stages of implementing integrated reporting. According to their findings, even though organizations are changing their processes and structures, the adoption of integrated reporting has not led to innovations in disclosure mechanisms. The processes are moving incrementally towards sustainability reporting. The authors, however, highlighted a limitation that a majority of the participants were not in accounting and reporting.

Churet and Eccles (2014) sought to determine whether there is a relationship between integrated reporting and the quality of management and financial performance. The authors conducted a systematic search for a few specific indicators of integrated reporting in the 2011 and 2012 annual reports of over 2,000 companies across the world. The first step in the study was to give a score of the compliance levels with integrated reporting and then to define the quality of management. The quality of management is defined narrowly based on the quality of managing Environmental, Social, and Governance issues (ESG). The next step was to define profitability. Profitability is given as Return on Invested Capital (ROIC), which captures both profitability and capital efficiency. Based on regression, the study concluded that there is a positive relationship between the quality of management and integrated reporting, but no relationship existed between integrated reporting and firm profitability. The study has two limitations though, with the first being ESG as a proxy for quality of management is a tautology (i.e. measuring the same variable differently). Secondly, the authors have pointed out a lag in adopting integrated reporting though this can be addressed by using a dynamic econometric model rather than a regression model.

Haji and Hossain (2016), sought to determine the extent to which the adoption of integrated reporting, especially with the concept of capitals has improved reporting practices by South African countries. The authors examined annual reports and other means of reporting like websites for the period between 2011 and 2014. The authors conclude that the concept of multiple capitals as promoted by integrated reporting has not improved organizational reporting practices. Instead, the authors posit that companies are using integrated reporting capitals to defend and promote their reputation rather than articulating how the companies' actions are impacting the capitals. Given the discussions in Chapter Two on the benefits of integrated reporting to preparers, companies use annual reports to enhance their relationship with various stakeholders. Therefore, in describing capitals under integrated reporting, companies will focus on highlighting the positives and how the capitals have improved. However, the authors could have obtained the perspectives of users on capitals for the study to provide more insights into the value of the capitals in an integrated report.

The current study aimed to contribute to these studies in various ways. Regarding the studies of Jensen and Berg (2012), Sanchez, Frias-Aceituno and Ariza (2013), Isabel-María, Lázaro, and José-Valeriano (2013), the current study included additional variables for investing and corporate governance and also conducted primary interviews to determine the perspective of preparers, regulators and users to determine the additional factors for current disclosures and integrated reporting. For the study of Deloitte (2012), the current study obtained the views of the users regarding current disclosure practices and potential progression to integrated reporting. In Deloitte's study of 2012, integrated reporting has not improved the quality of sustainability reporting. Therefore, in Kenya, if the current study finds that sustainability reporting is low, then this may have two implications: either integrated reporting will not improve sustainability reporting, or the quality of integrated reporting will be low in terms of sustainability matters for listed companies in Kenya. Obtaining the views of various stakeholders as conducted in Kass (2012), will highlight the key opportunities for integrated reporting that may contribute to acceptance and adoption of integrated reporting or even the challenges that may arise, and arguments against the adoption of integrated reporting. The current study used multiple theories to determine the importance of current and integrated reporting and secondly, focus on companies that are yet to adopt, those planning to adopt and those who have adopted to determine additional factors driving the adoption of integrated reporting, as an extension of the findings of Dragu and Tudor (2013).

Finally, the study augmented literature by evaluating the preparedness of Kenya's listed companies to adopt integrated reporting. This was done by assessing the levels of disclosures, relationship with company factors, and how the disclosures and company factors are related to the potential to adopt integrated reporting. Besides contributing to policy, this research aimed at exploring key factors of adopting integrated reporting from an emerging market economy perspective.

2.6.3.2 Integrated Reporting: Challenges and Opportunities

Stubbs and Higgins (2012) discovered in their study of 22 companies listed on ASX50 in Australia, that even though there is an awareness of integrated reporting, it is not well understood by managers. The study also highlighted additional challenges regarding multiple reporting requirements: a wide range of communication needs, and difficulty in coordinating across different functions when preparing integrated reports. In terms of reporting, sustainability managers had different views regarding the role of reporting. In this study, the companies were selected by snowballing i.e. respondents were identified through referrals, and data was gathered by the use of primary

interviews, which may have a potential for similar findings as participants are not selected randomly.

Steyn (2014) sought to find the perceptions of the Chief Executive Officers, Chief Finance Officers, and other senior executives of listed companies in South Africa on integrated reporting. According to the study carried out using a self-administered web-based survey, the participants expressed concerns that better resource-allocation decisions and perceived cost reductions do not necessarily arise as a result of integrated reporting. Also, significant changes to management information systems that would be costly would be required if companies are to adopt integrated reporting. Another contentious point for IIRC to consider; respondents felt that there are no additional benefits from companies rethinking their business models nor from assessing the economic value after adopting integrated reporting. The study did not provide the number of respondents while some industries were heavily overrepresented due to their large numbers, hence the authors caution generalizing the results.

The current research extended these findings in two main ways. As discussed in Chapter Two, emerging markets have low levels of economic development, unstable economic market conditions, and developing market institutions and infrastructure. Given the benefits and challenges of adopting integrated reporting by IIRC, the study sought to identify the most important benefits so that these guide stakeholders in the adoption of integrated reporting in emerging economies, while identifying the challenges that need to be overcome or minimized to successfully implement integrated reporting. Second, the study obtained the perspectives of preparers, regulators, and users (analysts) to identify the opportunities and challenges of current and integrated reporting. Knowing the opportunities may make it possible to transition from current reporting to integrated reporting, while in case of challenges of integrated reporting, it may imply that stakeholders retain and maybe improve the current system of reporting or work to overcome the challenges to enable the adoption of integrated reporting.

2.6.3.3 Perceptions of Preparers and Users on Integrated Reporting

Black Sun in association with IIRC (IIRC, 2012), obtained the perceptions of preparers on integrated reporting. The study, using a questionnaire, had over 80 participants who reported positive opinions about integrated reporting: 93% of the companies think departments will be connected because of breaking down of silos; 98% thought users will understand how the organization creates value; 74% see more consistency in external communications; 93% realized better data collection and data

quality; 64% had better information for analysts; 95% agreed that employees will benefit, and 97% felt an overall positive change in reporting. The findings, even though important and insightful, may be biased because IIRC is promoting the adoption of integrated reporting.

In another study by Gasperini, Bigotto, and Doni (2013), the authors aimed to determine the perceptions of financial analysts in Italy on integrated reporting. Using semi-structured interviews, the study focused on the value of information on intellectual capital, the knowledge gained from integrated reporting, and its effectiveness in communication. The main conclusion from the study was that financial analysts have limited knowledge of integrated reporting. The analysts suggested that standardization of non-financial information and making it more understandable and accessible would be very useful in investment decisions.

The study of Steyn (2014) discussed in section 3.2.3.2 revealed that listed companies operating in a highly regulated environment see value addition in the integrated reporting process from the view of company reputation, meeting investor needs, and other stakeholder engagements. A major finding was that corporate reputation is more important in the adoption of integrated reporting than compliance with the regulatory requirements. This would probably be a major factor in the adoption of integrated reporting, but, if integrated reporting is only seen as a public relation vehicle, then it may cast doubt about its ability to demonstrate value for organizations.

Slack and Tsalavoutas (2018) carried out semi-structured interviews with 22 equity analysts in the UK to obtain their views on the usefulness of integrated reporting and the integrated reporting framework in their investment decision-making process. The authors conclude that most of the equity analysts did not find integrated reporting relevant to decision making. This finding is important because the primary beneficiary of an integrated report as provided by the IIRC is the investor. Therefore, if equity analysts, representing investors, do not find integrated reporting useful, then companies may adopt a report that is not useful for investors. This situation may be a challenge for the adoption of integrated reporting.

In a recent study by Adhariani and de Villiers (2019), the authors obtained the perspectives of preparers, auditors, analysts, academics, and others in Indonesia, one of the largest economies in South East Asian and an emerging market. The authors wanted to establish if Indonesia is willing to accept integrated reporting, though it is not formally endorsed by regulators. According to the study, there is a low level of knowledge of integrated reporting, though users like analysts have a better understanding than preparers and academicians. Even though the preparers can see the benefits of integrated reporting, they are reluctant to adopt, with the main reasons

being the cost and the changes required in the reporting processes. The authors propose that as integrated reporting is beneficial, Indonesia needs to carry out training and the university curriculum incorporates integrated reporting. Also, regulators may need to revise laws and put other incentives in place to encourage companies to adopt integrated reporting, because it will improve the disclosures of environmental reporting. The current study is similar to the extent of context, being an emerging market, and obtaining the views of various stakeholders. Even though both countries are emerging markets, Indonesia is considered to be ahead of Kenya in terms of economic and capital markets development³. Secondly, it appears that Indonesia has not adopted integrated reporting and the authors conducted an exploratory study that obtained the perspectives of various stakeholders.

A recent study by Bananuka et al. (2019) found that firms in Uganda are slow to adopt integrated reporting due to limited resources, lack of regulatory guidance, and little demand from stakeholders.

The studies discussed here have focused on the perceptions of preparers and users, though that of Adhariani and de Villiers (2019) had additional stakeholders like academicians. The perceptions, specifically of preparers and users, about integrated reporting are similar but also contrasting. Both preparers and users think that integrated reporting will improve corporate reporting, but preparers are more open to adoption due to perceived benefits. However, users find integrated reporting less relevant. The current study obtained the perceptions of preparers and users in a different country context to establish if the findings are similar or contrasting, which may indicate the extent to which preparers and users accept integrated reporting.

Finally, the study obtained the perceptions of regulators, who play an important role in corporate reporting of reducing information asymmetry between preparers and users (Healy & Palepu, 2001). Based on the extant literature, there is no empirical study on regulators and their perspectives on integrated reporting.

³ See details on Kenya Vs. Indonesia at :

<https://countryeconomy.com/countries/compare/kenya/indonesia>

2.7 Development of the Theoretical Framework and Research Hypotheses

According to Simon and Goes (2013), the key elements of a theoretical framework include the objectives of the study, key theories of the research, and variables that are used in the study. The research objectives were discussed in Chapter One. Objective one established the levels and trends of disclosures of financial and non-financial information with the associated company factors. Objective two established the trends and levels of disclosures of information for integrated reporting with the associated company factors. Objective three obtained and evaluated the perspectives of preparers, regulators, and users about current and integrated reporting. Section 2.6 provided the relevant theories being: Agency Theory (Jensen and Meckling, 1976), Stakeholder Theory (Freeman, 1984), Legitimacy Theory (Suchman, 1995), Signalling Theory (Ross, 1977).

The main categories of research variables: the dependent, the independent, the moderating, and the mediating (Simon & Goes, 2013). The independent and the dependent for objectives one and two were relevant for this study. The dependent variables in the first objective are the scores for companies on their disclosures of both financial and non-financial information (IFRS, GRI sustainability guidelines, and OECD corporate governance scores). The dependent variable in the second objective was the disclosure scores of the integrated reporting framework.

Independent variables are the various company features or factors. Broadly and based on empirical literature discussed in section 2.6., these factors are Size (as measured by Total Equity and Total Assets), Profitability (measured by Net Profit, Return on Assets and Return on Equity), Leverage (as measured by Total Debt/Total assets), Age (Date when the company was formed), Type of Auditor, Type of Sector, Ownership (Local or foreign), Board size (Number of directors on the board), Board Composition (Board independence and Gender Diversity), Concentrated shareholding (Block shareholding i.e. shareholding by the largest shareholder) for both financial and non-financial disclosures. Also, as recommended by Ohlson (1995), the study proposed to use important variables in investment decisions such as Price-to-Book value, Price-Earnings, Dividend Yield and Cash Flows (Tam, Kiang & Chui, 1991) 2015), and Dividend Payout (McFie, 2010), which usually form an important signal for investment decision making. The independent variables for disclosure scores for IFRS, sustainability, corporate governance were used in checking the relationship with integrated reporting disclosure scores. The next section provides the formulation of

hypothesis regarding the independent variables and their constructs (Only for objectives one and two).

Size

According to the agency and stakeholder theories, large companies make more disclosures to be accountable to owners and other stakeholders (Watts & Zimmerman, 1978). This is because large companies have more resources and have a wider scope of operations and therefore get more attention from various users especially from owners and regulators. This is also supported by most of the studies given in the empirical literature (Al-Shammari et al., 2003; Ioannis, 2009; Morhardt, 2010; Fernando & Pandey, 2012; Barako et al., 2006; Isabel-Maria et al., 2013).

Therefore, it is hypothesized that:

H1: There is a positive relationship between corporate reporting disclosures and firm size

Empirical studies on corporate disclosures have used three constructs to operationalize size: Total Assets, Total Revenue, and Market Capitalization. Total Assets measure the book value of the resources within the control of the organization. Total revenue measures the value of income generated from the core activities of the organization (as representative of the scope) and market capitalization represents the value that various stakeholders perceive to be the investment made by equity owners. Other constructs to measure size such as the number of employees were not used due to empirical and practical reasons.

Profitability

From the perspective of agency theory, management is motivated to make more disclosures when the company is profitable (Inchausti, 1997). Part of this motivation is compensation. Similarly, according to the Signalling theory, a profitable company will make more disclosures in the annual reports to send the signal of a viable company.

Unlike size however, empirical research is not conclusive about profitability and corporate disclosures. Some studies have established a positive relationship between disclosures and profitability (Ioannis, 2009; Yiadom and Atsunyo, 2014; Dilling, 2010; Cheung et al., 2007). However, other studies found a negative relationship with profitability (Hodgdon et al., 2009; Rouf & Hossain, 2011) and others did not find a significant association (Al-Shammari, 2011; Khasharmeh & Suwaidan, 2010; Isabel-Maria et al., 2013; Kipchoge, 2015; Cunha & Dinis Mendez, 2017). Considering the

differences in the empirical studies and both agency and Signalling theories, the following hypothesis is stated:

H2: There is a positive association between corporate reporting disclosures and profitability.

To operationalize profitability as a variable, empirical studies have used constructs of Net Income (Profit After Tax), Return on Equity, Return on Assets, and Earnings Per Share. Net Income/Profit After Tax measures the overall company return in absolute terms from its operations, gains, and other losses and the tax burden. Return on Equity and Return on Assets measure the returns in for shareholders and the entire company respectively in relative terms. Earnings per Share is also a standardized measure of return per unit of share held. These constructs were therefore relevant measures of profitability in this study.

Type of Auditor

An external auditor plays an important role, especially in confirming that a company has complied with the relevant laws and disclosures made in annual financial statements (especially those of IFRS). According to agency theory, having an external auditor authenticate financial statements is one approach to address the agency problem of conflict of interest between owners and managers (Craswell & Taylor, 1992). Given Signalling theory, when a company chooses a certain auditor, the company is sending a signal about its quality of annual statements and report (Trueman, 1986). Larger audit firms like the “Big Four” being: PwC, Deloitte, KPMG and, Earnest and Young are known to be associated with more and better-quality disclosures (Watts & Zimmerman, 1983). This applies also to local audit firms that have affiliation with the “Big Four” (Barako et al., 2006). Other authors use the classification of the “Big Five” (PwC, Deloitte, KPMG, Earnest and Young, and BDO/PKF).

For the majority of the empirical studies on the type of auditor and disclosures have reported a positive association (Street & Gray, 2002; Hodgdon et al., 2009; Khasharmeh & Suwaidan, 2010), while that of McFie (2010) found a negative relationship but that of Barrako et al. (2006) found no relationship. However, fewer studies have considered the auditor with sustainability and corporate governance disclosure. Most regulators though, require auditors to confirm if the company has complied with corporate governance requirements. The relevant hypothesis is therefore provided as follows:

H3: There is a positive relationship between the type of auditor and corporate reporting disclosures.

The Type of auditor and the construct is the same. Even though the majority of empirical studies use a dummy variable for “Big-4”, the current study established that more than 90% of the listed in Kenya use the “Big-4” for the audits. Therefore, this study used each type of auditor to establish if there are differences in terms of audit across the auditors including the “Big-4”.

Sector

The sector or industry classification is a common variable in corporate reporting disclosure studies. However, unlike the other variables, different sectors have different economic and legal environments. As discussed in Chapter Two, listed banks in Kenya are required to report to three regulators. Besides, some sectors like those in energy and manufacturing may face more social and environmental reporting requirements in terms of practices and reporting (Adams, Hill and Roberts, 1998; Gao, Heravi, & Xiao, 2005).

Empirical studies have reported that sector has a positive influence on disclosures and that sector may influence the disclosures (Street & Gray, 2002; Juhmani, 2012; Morhad, 2010; Dilling, 2010; Isabel-Maria et al., 2013).

Given these studies and agency theory, stakeholder theory and legitimacy theory, the relevant hypothesis:

H4: There is a positive relationship between certain sectors and corporate reporting disclosures.

The NSE has 10 Sectors: Agriculture, Automobile, Banking, Commercial and Services, Construction and allied, Energy, Insurance, Investments, Manufacturing and allied, Telecom.

Leverage

Leverage is the extent to which a company has used other sources of finance (apart from equity-for owners). Leverage has also been considered in some empirical studies. According to the agency, stakeholder and Signalling theories, a company with higher leverage should make more disclosures to reduce agency costs, assure lenders that their amounts are safe and send a signal to various stakeholders that the amounts borrowed are being invested well and therefore lower risk for lenders (Jensen & Meckling, 1976). This is also supported by empirical literature where some studies have found a positive relationship between leverage and disclosures (Al-Shammari et al., 2008; Khasharmeh & Suwaidan, 2010; Dilling, 2010; Andrikopoulos, 2014). However, while Kipchoge (2015) found a negative association, McFie (2010) and

Yidom and Atsunyo (2014) found no association between corporate disclosures and leverage.

Given the relevant theories and the studies, companies with high leverage are more likely to make more disclosures. Accordingly, it is hypothesized that:

H5: The level of corporate disclosure is positively associated with the level of leverage.

Empirical studies suggest two main constructs to measure leverage. Debt ratio and Debt to Equity ratio. The debt ratio measures the proportion of assets funded by lenders (Total Liabilities). Debt to Equity measures the ratio of Debt (Liabilities) to Equity. Debt ratio is common in most of the studies because it is robust as it measures the entire leverage (Al-Shammari et al. 2008; McFie, 2010; Cunha & Dinis Mendez, 2017). Even though the Debt to Equity ratio construct is useful in measuring leverage and has been used in studies like that of Dilling (2010), it is difficult to compare across industries. This study, therefore, used the Debt ratio as the main construct to operationalize leverage.

Investor Values (Growth opportunities)

Based on agency and Signalling theories, companies make disclosures in their annual reports to demonstrate value to owners and signal about future investment and growth opportunities (Spence, 2002).

Given the various empirical studies, there is a positive association between investor/growth value and corporate reporting disclosures. A positive relationship between growth opportunities and disclosure was reported by Hossain et al. (2005); Alves et al. (2012). McFie (2010), Eng & Mak (2003), and Scholtz and Smit (2015) found no significant relationship between disclosure information and the investor values of firms.

Based on the agency and Signalling theories, and the empirical studies, the following hypothesis is stated:

H6: There is a positive relationship between Investor values /growth opportunities and the level of corporate reporting disclosures.

There are several constructs from empirical studies that can be used to operationalize investor value/growth opportunities. Dividend Yield (Ohlson, 1990 & 1995), Dividend Payout (McFie, 2010), Price-to-Book Value, and Price Earnings Ratio (Emans, 2015; Schreiner and Spremann, 2007). Dividend Yield measures the return for every unit of currency invested in a company. Dividend payout measures the profits that are distributed as to shareholders as dividends. Price-to-Book (Market Value to Book Value of equity) measures the market value of every unit of investment in the

company and represents a measure of growth because investors are willing to pay more if they believe a company will grow and make more profits in the future. However, some studies have used the Market Value of Assets to book Value of Assets to represent growth opportunities. This is called the Tobin Q (Perfect & Wiles, 1994). This was not used in this study because of the anticipated challenge of obtaining the market value of assets for the NSE-listed companies.

Besides the above constructs, there is no evidence of studies that have used Cash Flow from Operations (CFO), an important metric for investment (Ohlson, 1990 & 1995). This is a measure of how much cash an organization has generated from its core activities, and therefore a form of cash return. The assumption is that the organization is an investment, hence cash flows generated from operations are important for investment decisions. As proposed by Ohlson (1995) this study considered this additional construct as part of investor value/growth opportunities.

Board Size

Board Size is the number of directors on a company's board. The board comprises of both executive and non-executive directors. According to the agency theory, large boards play an important role in monitoring the company, and hence it is expected that companies with large boards make more disclosures (Laksmana, 2008). Some empirical studies find a positive association between board size and voluntary disclosure (Barako et al., 2006; Laksmana, 2008, Hussainey & Al-Najjar, 2011). On the other hand, some studies did not find any association between board size and disclosure (Lakhal, 2005; Willekens, Bauwhede, Gaeremynck, Ann, & Gucht, 2005).

Given the empirical studies and agency theory, the next hypothesis is given as follows:

H7. There is a positive relationship between board size and corporate disclosures.

The construct for board size is the total number of directors on the board.

Board Composition (Proportion of Independent Directors and Proportion of No. of Women on Board)

Board composition considers several dimensions: Board duality, board independence, and board diversity. Board duality is a variable that is not applicable in Kenya because the corporate governance code requires NSE-listed companies to have an independent chairman.

According to empirical literature anchored on agency theory, board independence, given as the presence of the independent directors improves the quality

of management and transparency leading to more disclosures. (Chau & Leung, 2006). There is empirical support for the positive association between voluntary disclosure and board independence (Abdelsalam & Street, 2007; Adams, Hill, & Roberts, 1998; Chen & Jaggi, 2000). Some studies though found no significant relationship between the level of voluntary disclosure and board independence (Ghazali & Weetman, 2006), Haniffa & Cooke, 2002), Ho & Wong, 2001). Perhaps some non-executive directors have ties to the company that undermines their independence (Tengamnuay & Stapleton, 2009).

Even though board diversity (given as the proportion of women on board) is an important construct for measuring board composition, the empirical literature measuring the relationship between IFRS disclosures and the proportion of women on board is scarce. However, for sustainability and corporate governance disclosures, we have Shamil et al. (2014), Elmarghi et al. (2016), and Manita et al. (2018), who reported mixed findings between gender diversity and level of sustainability and corporate governance disclosures.

Therefore, the next hypothesis is given as follows:

H8. There is a positive relationship between board independence and board diversity.

The construct for board independence is the proportion of the number of independent directors (non-executive directors) to the total directors and for board diversity, the proportion of the number of women on board to total directors (Elmarghi et al., 2016).

Ownership

For this study, ownership relates to the origin of the main shareholder (s) of a company, being local or foreign ownership. Some empirical studies use the term internationalization to mean companies that are either subsidiaries or the main shareholder is from a foreign country (Al-Shammari et al., 2008; Al-Shammari, 2011).

According to the agency theory (Jensen & Meckling, 1976), companies with diffuse ownership i.e. either many shareholders or from diverse backgrounds (such as those from foreign countries), will disclose more information in their corporate reports to be accountable to the foreign shareholders to monitor the company effectively. This is supported by several studies (Al-Shammari et al., 2008; Barako et al., 2006; McFie, 2010; Al-Shammari, 2011). Therefore, in this study, foreign-owned companies are expected to have more corporate disclosures.

This leads to the next hypothesis:

H9. There is a positive relationship between corporate reporting disclosures and foreign ownership.

A dummy construct was used to operationalize ownership, being either local or foreign owned.

Ownership Concentration

Ownership concentration is where a shareholder owns a significant proportion of shares leading to concentrated shareholding. According to the agency theory companies with diffuse ownership i.e. less concentrated shareholding will disclose more information in their corporate reports to be accountable and enable the many shareholders to monitor the company effectively (Marston & Poley, 2004). Therefore, it is likely that firms with dispersed ownership of shares disclose more information to satisfy many investors' needs. In contrast, investors with large equity shares in a company can obtain information about the company from internal sources. Therefore, more closely held companies i.e. those with concentrated shareholding are less likely to have more disclosures.

Empirical results are mixed. Ben-Amar and Boujenoui (2007) reported a negative relationship between Sustainability disclosures and concentrated shareholding whereas it was positive from Samaha et al. (2012).

Given the agency theory and the study of Ben-Amar and Boujenoui (2007) the following hypothesis is suggested:

H10. There is an inverse relationship between corporate reporting disclosures and concentrated shareholding.

The construct to measure concentrated shareholding is referred to as block shareholding, i.e. the shareholder with the highest percentage shareholding as given from the empirical studies, though Samaha et al. (2012) suggest a threshold of more than 5%, as additional consideration.

Age

Age is the date when a company was registered i.e. inception. Even though there is no substantive theory that supports the relationship between age and corporate reporting disclosures, empirical literature explains why the longer a company has existed, the more the disclosure the company should make. For example, Owusu-Ansah (1998) argues that older companies may already have a competitive advantage over younger companies and are therefore open to making more disclosures in their financial statements. Besides, older companies may have proper systems in place to enable the provision of information.

Prior studies report inconsistent results regarding the association between company age and disclosures. Glaum and Street (2003) find no evidence of an association between a company's age and the extent of mandatory compliance with IAS disclosure requirements. Owusu-Ansah and Yeoh (2005) find no relationship in New Zealand. However, Al-Shammari et al. (2008) report a positive association in the GCC member states.

Hence, it is hypothesized that:

H11: There is a positive relationship between company age and corporate reporting disclosures.

The construct for age is the number of years in existence with 2016 being the base year.

Corporate Reporting Disclosures (IFRS, Sustainability and Corporate Governance)

All the corporate disclosure theories are relevant, across all the disclosures. The first was agency theory, which posits that companies make more disclosures as a way of reducing the self-interest actions of agents (directors) and protect the interest of principals (shareholders). Second, the stakeholders' theory explains that companies prepare and make more disclosures to show how that all stakeholders' interests have been accommodated. Legitimacy theory argues that companies prepare sustainability reports so that society can legitimize the company's existence. Finally, the Signalling theory posits that companies prepare reports and make additional disclosures so they can signal to the various stakeholders' certain aspects of the company.

For the relationship between corporate disclosures and integrated reporting, one empirical study analyses the relationship between integrated reporting and sustainability disclosures (van zyl, 2013). Therefore, the following hypothesis is developed:

H12: There is a positive relationship between IFRS, sustainability, and corporate governance disclosures and integrated reporting.

The constructs for the disclosures are the scores that were awarded based on the indices explained in Chapter Three.

2.8 The Conceptual Framework

This last section of the empirical and theoretical literature provides the conceptual framework which is a summary of link between the empirical and theoretical literature discussed in this Chapter as highlighted by Figure 2.7 next page.

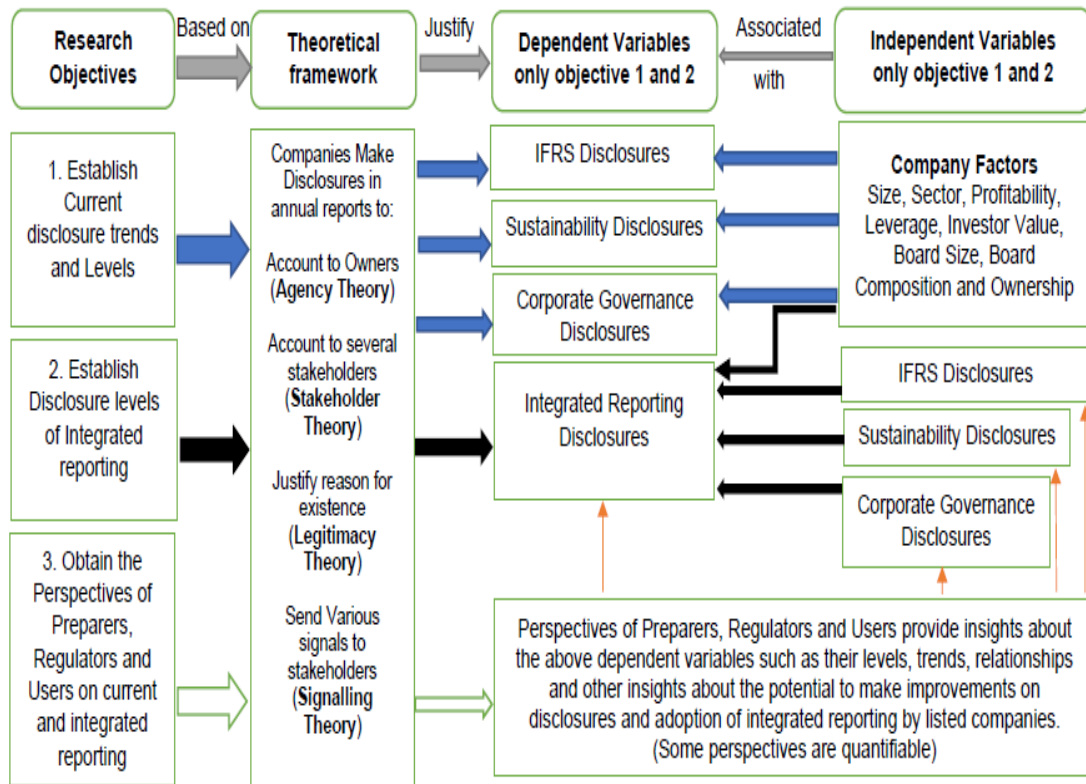


Figure 2.7 The Summary Conceptual Framework

Figure 2.7 highlights the research objectives, the theoretical framework upon which the research is based, the independent and dependent variables that were used to achieve the objectives, and the place of the qualitative aspects being the perspectives of the preparers, regulators, and users. To achieve objectives One and Two, the dominant theories are the agency, the stakeholder, and the legitimacy theories that justify the disclosures of both financial, sustainability, and corporate governance. The independent variables are the four disclosure scores based on IFRS, Sustainability, corporate governance, and integrated reporting indices. Independent variables being company features such as size and profitability may influence the disclosures which have been summarized from the empirical literature. For integrated reporting, additional independent variables are the financial, sustainability, and corporate governance disclosures.

Finally, the perspectives of the three stakeholders, provide insights into the disclosures made.

2.9 Summary of the Chapter

Chapter Two has provided the literature review. The highlight is the background to corporate reporting, stages in the development of the integrated reporting framework, and its evaluation. The chapter provided the institutional context of Kenya covering the economic, capital markets, and regulatory framework of corporate reporting. The literature review also provided the relevant corporate disclosure theories, empirical literature, developed the theoretical framework and hypotheses and presented the conceptual framework.

As discussed, corporate reporting focused on providing financial information, but stakeholders have suggested the provision of non-financial information. This has also seen the need to link this information through integrated reporting. The historical background provides readers with the origins of integrated reporting and the rationale for stakeholders recommending integrated reporting and the launch of the Integrated Reporting Framework.

The framework recommends organizations to observe seven guiding principles, in preparing an integrated report: Strategic focus and future orientation; connectivity of information; stakeholder relationships; materiality; conciseness; reliability and completeness, and consistency and comparability. The framework also provides seven content elements of an integrated report: organizational overview and external environment, Governance, Business Model, Risks and Opportunities, Performance, Outlook, and the basis of preparation and presentation of an integrated report. The study aimed to determine the perspective of preparers and users the extent to which the principles are achievable and on the content elements.

Kenya's economic and capital markets form the context of the study. The main highlight is that Kenya is an emerging market economy, a strategic country, and the dominant economy in East Africa, attracting high levels of foreign direct investment. The NSE has nearly 20% of foreign investors. As a result, both local and foreign investors have an interest in companies listed on the NSE. Also, given that one of the strategic initiatives by CMA is to enhance transparency by encouraging improvements in corporate reporting and hence encouraging companies to adopt integrated reporting, the feasibility of such initiatives is of interest to both local and foreign stakeholders and academicians.

Besides the empirical review, this study has also made some preliminary findings on the corporate regulatory framework. Kenya adopted IFRSs with effect from 1999 to guide on presentation of financial statements. The law that covers corporate reporting for listed companies in Kenya is mainly the Companies Act (The 1962 and

2015 Acts), the Banking Act (Together with Prudential Guidelines issued by the Central Bank), and the Insurance Act (Including the Prudential Guidelines issued by Insurance Regulatory Authority). In terms of regulators, the chapter discussed the role and importance of ICPAK, ICPSK, CMA, NSE, CBK, and IRA in requiring and recommending the content of disclosures that companies should make in their annual reports.

Findings show that compliance with IFRS and corporate governance is required by various laws and supported by nearly all regulators. It is highly likely that disclosures will be higher. However, there are overlaps in legal requirements and recommendations by professional bodies that some companies (banks) face. For example, banks are required to comply with CMA, NSE, and CBK reporting requirements. Therefore, the question is whether regulatory bodies are willing to harmonize regulation of corporate reporting by probably adopting integrated reporting.

In terms of theories and theoretical framework, the study used four corporate disclosure theories. The first was agency theory, which posits that companies make more disclosures as a way of reducing the self-interest actions of agents (directors) and protect the interest of principals (shareholders). Secondly, the stakeholders' theory explains that companies prepare and make more disclosures to show that all stakeholders' interests have been accommodated. Legitimacy theory argues that companies prepare sustainability reports so that society can legitimize the company's existence. Finally, the Signalling theory posits that companies prepare reports and make additional disclosures so that they can signal to the various stakeholders some aspects of the company. Stakeholders also make different meanings from the signals in annual reports and disclosures.

Empirical studies on existing practices focused on those that sought to determine disclosure levels of IFRS, sustainability matters, and corporate governance. Empirical studies on integrated reporting related to those conducted in various countries and sectors, those on opportunities and challenges of integrated reporting, and perceptions of preparers and users on integrated reporting. Disclosure studies highlighted levels of disclosures and associated company factors. Studies on IFRS disclosures have provided the extent to which various companies across different countries comply with IFRS and the relationship between IFRS compliance and associated company factors such as company size, leverage, profitability, type of auditor, and sector. This study evaluated the trends in disclosures between 2010 and 2016 and was robust in terms of the wider scope of variables. Most studies on sustainability reporting and corporate governance also focused on the extent of disclosures though most did not report levels in measurable terms like percentages.

This study incorporated the same company features such as those on IFRS, but with additional variables like ownership, the board size, board composition, and ownership concentration. This study established trends and levels of corporate reporting disclosures in the context of adopting integrated reporting.

Studies on integrated reporting have focused on factors that contribute to faster adoption of integrated reporting, consideration of materiality, quality of integrated reporting, and associated company factors as provided for other disclosures, challenges and opportunities of integrated reporting, and the perspectives of preparers and users on integrated reporting. This study sought to establish the relationship between integrated reporting disclosures and the various company features together with other financial and non-financial disclosures. This study established the perspectives of preparers and users, incorporating those of regulators.

The Conceptual framework provided the dependent and independent variables. Dependent variables are IFRS disclosure scores, sustainability disclosure scores, corporate governance disclosure scores, and integrated reporting disclosure scores. IFRS disclosures, sustainability disclosure scores, and corporate governance disclosures are considered independent when evaluating their relationship with integrated reporting. The independent variables were grouped into company size, profitability, sector, leverage, investor value, the board size, type of auditor, board composition, ownership, and ownership concentration and developed from hypotheses.

Chapter Three is next and details how the research was conducted.

3 CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter One introduced the study and Chapter Two provided the literature review. The purpose of Chapter Three is to describe how the research was conducted and the justification. Chapter Three begins with the philosophical underpinning of the study, followed by the research approach, the data collection methods and tools, the population and sampling, and the data analysis. The chapter also discusses how research reliability and validity were achieved and how key ethical matters were managed to end with a summary of the chapter.

Chapter Three is therefore organized as follows:

- 3.2 Philosophical underpinning of the study: ontological, epistemological perspectives, methodology, and the research paradigms
- 3.3 Research approach i.e. mixed methods approach (qualitative and quantitative).
- 3.4 Data collection methods and tools; document review and analysis, questionnaires and interviews
- 3.5 Population and sampling
- 3.6 Data analysis
- 3.7 Reliability and validity of the research
- 3.8 Key ethical issues of the research and how they were managed
- 3.9 Summary of the chapter

3.2 Philosophical Underpinning of the Research (Research Paradigm)

In research, a paradigm is defined as “a loose collection of logically related assumptions, concepts or propositions that orient thinking and research” (Bodgan & Biklens, 2007, p. 4). Grix (2004) expounds that those who wish to conduct clear and precise research must evaluate the philosophical perspectives and how they inform the choice of research topics, objectives, questions, and methods. Philosophical perspectives consider ontology and epistemology. Several paradigms have been proposed concerning social research. The two broad ones are positivism and post-positivism. Others that lie within the two are interpretivism, constructionism, and critical theory. For a discussion on interpretivism see Mack (2010) and construction and critical theory (Guba and Lincoln, 1989). This study was based on positivism and post-positivism and therefore the rest of the session will focus on these two.

Table 3.1 highlights the difference between the two paradigms and points towards the distinction between quantitative and qualitative studies.

Table 3.1 Difference between Positivist and Post-Positivist Paradigms of Research

	Positivist (Objectivism)	Post-positivist (Subjectivism)
The world is...	Knowable, predictable and truth is single	Ambiguous, variable and multiple realities or truths
Research is...	Empirical and reductionist	Intuitive and Holistic
The researcher is...	Objective and independent expert	Subjective and collaborative
Methodology is...	Deductive, hypothesis driven, reliable and can be replicated	Inductive, exploratory, dependable and auditable
Findings are...	Quantitative, statistically significant and generalizable	Qualitative, Valuable and Transferable.

Source: O' Leary (2004)

Gill and Johnson (1997), recommend a multi-method approach as part of the solution to reconciling the two paradigms. The authors explain that it is nearly impossible to be strictly positivist or post-positivist when conducting social science research.

Following the explanation by Gill and Johnson (1997), about the positivist approach, the ontological approach is that companies make disclosures, which is the reality independent of the researcher. The disclosures are those that can be predicted. In terms of epistemology, the quality of disclosures of financial, sustainability, and corporate governance disclosures can be empirically investigated by applying methods like content analysis of the annual report and making statistically and significant generalizations that are quantitative as demonstrated by empirical literature on disclosures.

Similarly, to post-positivism, the ontological perspective considers that the perspectives of various stakeholders may lead to multiple truths and some aspects of ambiguity to understand phenomena around current reporting and proposed integrated reporting. In terms of epistemology, the researcher is affected by subjective methods of inquiry like interviews because of interaction and collaboration with research participants. The methodology is exploratory. The perspectives of stakeholders regarding current reporting practices and integrated reporting are more qualitative but some aspects can be quantified. Overall, the study applies both quantitative and qualitative approaches i.e. mixed methods; discussed next under the research approach.

3.3 Research approach: Qualitative, Quantitative and Mixed Methods

3.3.1 Introduction: Background to Qualitative, Quantitative and Mixed Methods

Teddlie and Tashakkori (2009) explain that in the past three decades has seen the growth using both quantitative and qualitative research methods in conducting research i.e. mixed methods. To link mixed methods research with the research paradigm, Teddlie and Tashakkori (2009) explain that mixed-method researchers (whom they refer to as pragmatists) view reality from two perspectives of both positivist and post-positivism. On the one hand, there is a reality outside the human that can be observed, measured, and understood, while there are several explanations of reality and hence several aspects of truth. Here a pragmatic researcher will choose the best or reasonable explanation within his/her value system (context, background, rationale, and expectations of the research).

The mixed-method approach was appropriate for this study as given by the research objectives in Chapter One, the theoretical framework provided in Chapter Two, and the research paradigm provided in Section 3.2 of this chapter. The first objective of establishing levels and trends in corporate reporting disclosures and objective two of levels and trends in integrated reporting disclosures require a quantitative approach and while objective three of establishing the perspective of various stakeholders requires a qualitative approach. The theoretical framework considered theories that justify disclosures made in annual reports that are numeric data, open to testable hypotheses, while perspectives of stakeholders are mainly in the form of narratives. As provided in section 3.2, the last paragraph explained that this research combines both positivism and post-positivism approach.

The discussions provided by Greene, Caracelli, and Graham (1989) justify the use of mixed methods in this research. The authors propose that mixed-method has five major roles as evidence in this study: triangulation, complementarity, development, initiation, and expansion. Triangulation uses various techniques, for example, quantitative and qualitative techniques to reach convergence. For example, in this study, triangulation applied when the perspectives of various stakeholders were used to confirm the rationale for certain disclosures made by companies. Development is when one method is input for the next method, for example, data collected on levels of disclosures that is quantitative can develop questions to be answered through a qualitative approach like interviews. Initiation is where contradictions arise in using both methods, i.e. quantitative and qualitative methods that may require a new study

to be conducted all together i.e. started. Expansion, which is close to the development, is where both quantitative and qualitative methods expand the scope of the study. For example, in this study, the focus was on listed companies, but it is possible to expand the study to other units of study, such as the public sector.

3.3.2 Research Design

Creswell and Clark (2011) explain that mixed methods research requires the collection of both quantitative and qualitative data. In this study, scores determined on disclosures of IFRS, sustainability, corporate governance reports, integrated reporting, and other company attributes like profitability are quantitative, while perceptions of preparers, regulators and users are qualitative. Second, the mixed method links the two forms of data concurrently by either having one build on the other sequentially or by embedding one with the other. In this study, the two forms of quantitative data were linked by both methods. For example, company scores and attributes were collected and Analysed at the same time together with the perspectives of various stakeholders. Third, the mixed method gives priority to one or both forms of data in terms of collection, in which case in this study, data was collected and Analysed concurrently but presented sequentially. This is referred to as convergence (Creswell & Clark, 2011). Fourth, mixed-method uses the data collection procedures in the same study that involves techniques such as document analysis for quantitative data, questionnaires, interviews, and case analysis for qualitative analysis. Finally, the mixed method conducts all the procedures and analysis of the background of the positivism and post-positivism research paradigm.

Teddlie and Tashakkori (2009), recommend a consideration of the various data collection methods and tools, sampling and data analysis as part of research design, which are discussed in section 3.4, 3.5 and 3.6 on data collection methods and tools, population and sampling and data analysis, respectively.

3.4 Data Collection Methods and Tools/Instruments

3.4.1 Background on Data Collection Methods and Tools

Several considerations applied in selecting the data collection methods for this study. The first was the objectives of the study. Objective one and two on disclosures of financial information, non-financial information together with integrated reporting disclosures are better conducted through document review i.e. content analysis of annual reports. Questionnaires and interviews could have been used, but in this study, participants cannot recall all disclosures made in the annual reports. For objective three on stakeholders' perceptions of current reporting and integrated reporting,

interviews and questionnaires would likely provide more insights as compared to content analysis. Observation was not appropriate here because none of the three objectives required process analysis. Even though the use of focus group discussions was considered, this was likely not feasible, due to the availability of participants.

The second consideration was empirical studies and the research paradigm. Most of the studies used document review/content analysis to establish disclosures of financial and non-financial information. Stubs and Higgins (2010) and Steyn (2014) obtained perspectives of stakeholders through questionnaires and interviews. Given that the study was based on both positivist and post-positivism paradigms, using the mixed method requires the use of document review as a quantitative approach of data collection while questionnaires and interviews apply in qualitative studies.

Finally, according to Kothari (1985), researchers should know other constraints like time, speed/efficiency, resources, and technical ability of research participants when selecting research methods. Ideally, document reviews take a short time to conduct (but in the current study document review took time because of the number of companies and the period covered seven years). There is no interference from research participants in document review and analysis. Questionnaires were timely, faster, and required fewer resources to collect views from many preparers. Besides, preparers had expertise in preparing financial statements and awareness about integrated reporting. Even though interviews required more time and are less efficient, they are beneficial because they are less resource-intensive to obtain the views of participants like the regulators and users, who have experience in corporate reporting.

Section 3.4.2 provides more discussion on the administration of the three methods i.e. document review, questionnaires, and interviews.

3.4.2 Data Collection Tools and Instruments

3.4.2.1 Document Review and Analysis and Administration

Document review and analysis as a data collection tool involves examining and interpreting data to understand the meaning and gain empirical knowledge (Corbin & Strauss, 2008). Merriam (1988, p. 118) pointed out, 'Documents of all types can help the researcher uncover meaning, develop understanding, and discover insights relevant to the research problem'. Documents may be the most effective means of gathering data when events can no longer be observed or when informants have forgotten the details (Bowen, 2009, p. 31).

As provided in Chapter Two, document review (i.e. analysis of annual reports of listed companies) was used in almost all the empirical studies to establish corporate disclosures (Tower, Hancock & Taphin, 1999; McFie, 2010; Deloitte, 2012 and

Kipchoge 2015). Gray et al. (2001) explain that audited annual reports are more credible because of independent verification and are more informative as compared to other sources of information like websites.

There are three rationales for document review in this. First, document review is often used in combination with other qualitative research methods as a means of triangulation (Denzin, 1970). Second, the researcher is expected to draw upon multiple sources of evidence by seeking convergence and corroboration hence besides documents, other sources should include interviews and observation, (Yin, 1994). Document analysis is more appropriate for mixed-method research (Rossman & Wilson, 1985).

Document review was useful for this study due to several reasons. According to Bowen (2009), data from document review provides the context of the research, and information collected from document reviews can serve as a knowledge base to be used for further studies and learning. Besides data being readily available, document reviews are cost-effective (Merriam, 1988). Annual reports of companies were obtained from their websites, from regulators like CMA, and a few from the companies' offices. Other benefits include the exactness and coverage of the documents, meaning that the disclosures made in the reports are verifiable (Yin, 1994). Documents are also unaffected by the researcher, participants, and the research process (Bowen, 2009).

Bowen (2009) proposes that document reviews and analysis require care because some information important for a study may not be available in the documents or the documents may not be available or accessible. In the current research, annual reports of some listed companies did not have sufficient details; therefore, the companies were excluded from the study. The companies reported extracts of financial statements while omitting supporting notes to the information in the financial statements. Also, the companies did not provide non-financial information such as sustainability and corporate governance reports.

The process of reviewing the annual reports of companies is described here in summary. The first step was to identify all listed companies in each year from 2010 to 2016. Then, the next step was to get copies of the annual reports from a company's website. If not available from the company's website, a visit was made to the offices of the CMA and the NSE. Most reports were obtained from websites (about 80%) and regulators and only a few reports required a visit to the company's offices. A report was also prepared of those companies that have websites, and whether the annual reports were available in these websites, and the provision of non-financial information such as corporate governance and sustainability matters in the websites. The next step was to prepare checklists for IFRS, sustainability reporting, corporate

governance, and integrated reporting, whose details are provided in Section 3.6. Thereafter, eight research assistants with knowledge on data collection and analysis, and in accounting and finance were taken through the steps to identify pertinent information and separate it from that which is not pertinent as recommended by Corbin and Strauss (2008). The tasks for the author and the research assistants were first to collect data on all relevant variables, then next to award scores for various reports. A pilot scoring scheme was done first then a continuous check by the author was done for each year and where relevant, any deviations corrected to ensure the research assistants were objective and consistent in scoring.

3.4.2.2 Questionnaire and Administration

This section explains the administration of the questionnaire was i.e. the design and questionnaire administration. The self-constructed questionnaire that was used in this study is provided in Appendix E.

According to Creswell (2003), Bulmer, De and Fielding (2004) and Sarantakos (2005), a questionnaire should be designed well so that the data collected answers the research questions. In terms of format, questions are grouped in themes, for example in this, separate sections for company features, perspectives on current reporting practices, and perspectives about integrated reporting. The flow of the questions was checked, to ensure smooth progression as suggested by Sarantakos (2005).

As per Bulmer and Fielding (2004), the questionnaire had closed-ended and open-ended questions. Closed-ended questions such as whether integrated reporting should be made mandatory or voluntary determined the proportion of preparers opting for mandatory adoption of integrated reporting. Open-ended questions were used for participants to explain the rationale for their answers. The questions were precise and not ambiguous, and enabled participants to interpret their meaning easily by having various academic and grammar professionals check and make sure there are no double-barrelled questions (two questions in one), loaded or leading questions (pushing for a certain answer) and questions with negative connotations and unnecessary details (Payne, 1951). The questionnaire was also piloted to minimize such problems and make appropriate corrections (Refer to Appendix F for the questionnaire that was piloted). Finally, a questionnaire should be of sufficient length to enable a high response rate and meet the objectives of the research (Sarantakos, 2005). In this study, the length of the questionnaire was determined at piloting and estimated at 30 minutes to be filled. Each question that was included had a role and purpose to save time for the participants (McGuirk and O'Neill, 2005). To ensure the

questionnaire was well designed, reliability and validity were checked as explained in Section 3.7.

The study presented the questions in broad themes. Part I of the questionnaire collected a few important attributes, such as the position of a participant, the sector, and the type of ownership. These are useful company attributes that provide information on the role of a participant in preparing annual reports. If a participant is involved in preparing the annual report, then the feedback is more valuable. Second, information about sectors was obtained to check for representation. Part II of the Questionnaire focused on current reporting practices, which considered disclosures made by companies before adopting integrated reporting. This section was informed by the justification for the adoption of integrated reporting by IIRC. A major claim was that without integrated reporting, current reports do not have sufficient non-financial information such as sustainability reporting. Question four, five, and six requested feedback from preparers on whether their companies prepare sustainability reports and if they know of guidelines like those of GRI and OECD. Also, to make improvements to corporate reporting, the preparers were requested to highlight the approaches that are effective and finally if there are challenges and gaps in current reporting, for which it is expected that integrated reporting will address and can provide the findings of the disclosures from objectives one and two. Using the Likert Scale in Questions seven, eight, and ten enabled the study to obtain free opinions on the perspectives of preparers and users (Paulhus, 1984). Questions nine and eleven were open-ended questions to provide the participants with the ability to describe the challenges and gaps in current reporting practices.

Part III of the questionnaire focused on integrated reporting and was guided mainly by the integrated reporting framework discussed in Chapter Two. Broadly, the participants were required to explain if aware of integrated reporting, whether the company is preparing to adopt integrated reporting, if adopted integrated reporting already, then provide the reason, experience, challenges, and benefits of adoption. Additional questions from the framework covered content elements, principles, and capitals. Besides, the participants were expected to provide feedback on the key drivers in adopting integrated reporting and the challenges that need to be overcome. Finally, the participants were also required to recommend whether integrated reporting should be adopted and other ways to improve corporate reporting.

The study considered several approaches to questionnaire administration by analysing their benefits and limitations and other factors like sample size, distribution, types of questions, nature of the topic, available resources, and time

constraints (de Vaus, 2002). As a result, the study settled on a self-administered web-based online survey as used by Steyn (2014).

These relevant considerations include the possibility of reaching a wider audience in terms of geographical region, maintaining the anonymity of participants, using fewer resources and obtaining results faster, and making data analysis easier. The key disadvantage of a self-administered mail questionnaire is the low response rate by participants. Face to face and telephone interviews can increase the response rates, but participants may have issues with anonymity. The choice of the online administered questionnaire was also confirmed at the pilot stage of the questionnaire. The majority of the participants, at the pilot stage, also expressed willingness to respond via an online questionnaire.

Baatard (2012) explains that the use of online self-administered questionnaires is becoming popular in social sciences because of the benefits listed above, in addition to the convenience to participants and the speed of getting results and analysis. However, Baatard cautions that researchers need to address the challenges arising thereon using different approaches that affect overall design, delivery, administration, structure, presentation, and layout. First, an email that is clear and concise should inform participants of the online questionnaire and planned reminders for those who have not filled the questionnaire (Kaczmirek, 2005; Gonzalez-Bañales & Adam, 2007). This was done and a copy of the same email is in Appendix G. Secondly, the survey was hosted on the internet as a standard web page and tested before availing to the participants (Lyons et al., 2005). The online questionnaire used was hosted by Google forms as a separate webpage. Third, to avoid multiple responses by a respondent, Google forms have a unique email identifier (Couper, Traugott, & Lamias, 2001). Forth, the ability to store data and export to other applications for analysis is an important consideration (Greenlaw and Brown-Welty, 2009). Google forms application tool was used to export responses for further analysis in software like Excel and SPSS. Finally, to avoid participants feeling overwhelmed with long questions leading to unfilled questions and probably non-completion, the questionnaire was split into different pages, with each page having fewer questions (Vicente & Reis, 2010).

3.4.2.2.1 Questionnaire Piloting; Highlights and Improvements

Appendix F presents the questionnaire that was piloted. The questionnaire was self-administered, where the participants could seek clarifications. 10 participants were selected through stratified random sampling (from each sector). All the participants were preparers of annual reports, with half the companies locally owned.

Summary results regarding current reporting practices: In Question 4, all the participants confirmed that their companies prepare corporate governance and chairman/CEO reports, while 8 out of 10 stated that their company prepares socially responsible reports, and 7 out of 10 stated that the company prepares an environmental report. One participant added a risk management report, and another added a health and safety report. In Question 5, all the participants were aware of IFRS, 7 out of 10 were about GRI sustainability guidelines, all the participants were aware of the OECD/CMA corporate governance guidelines, and 9 out of ten were aware of management, discussion, and analysis. In Question 6, all the participants stated that corporate governance reporting, management discussion, and analysis should be mandatory, but 7 and 8 suggested that sustainability and environmental reporting be voluntary. In Question 7, 8 participants out of the 10 felt that regulators, the law, and professional bodies play an important role in improving the quality of financial reporting. In Question 8, 7 out of 10 participants responded that there are gaps and challenges in terms of reporting, with 6 participants pointing out on non-financial information such as sustainability reporting.

Summary results on integrated reporting: In Question 9, all the participants were aware of integrated reporting as recommended by CMA. In Question 10, half the participants stated the company had adopted integrated reporting, while in Question 11, 4 of the participants who had not adopted stated the company is planning to adopt. In Question 12, the participants stated the definition of integrated reporting to be adequate, but the meaning of integrated reporting varied. In Question 13, the five preparers claim that the company prepares an integrated report as one. In Question 14, 8 participants confirmed that there was clarity in the classification of capitals as per IICR, with two highlighting ambiguity in natural capital and intellectual capital. In Question 15, there was overwhelming support that all the capitals are relevant, with Intellectual and natural capital having the lowest result of somewhat relevance. In Question 16, only three participants highlighted the challenges of providing information about the capitals, with metrics being the main problem. In Question 17, all the principles are achievable. In Question 18, all the content elements were acceptable, with slight acceptance of business model, strategy, and risk. In Question 19, the participants confirmed that all the elements are sufficient. In Question 20, strategy, business model and risks and opportunities will likely provide competitively harmful information. In Question 21 all the factors listed are very influential in the adoption of integrated reporting with improving trust with stakeholders getting extremely influential. In Question 22 all the items listed are barriers to the adoption of integrated reporting, with the provision of information to competitors the extreme barrier. In Question 23, 9

out of ten participants agreed that integrated reporting will improve corporate reporting, with 1 fearing information overload. In Question 24, 7 out of ten participants agreed that integrated reporting should be adopted on a mandatory basis. Question 25 elicited varied reactions.

Table 3.2 provides a summary of the changes and other actions taken and the rationale, providing a summary of the key lessons from the pilot questionnaire.

Table 3.2 Summary Action on Pilot Questionnaire

Question	Action and Remarks in the revised questionnaire
1,2,3	All the Questions were retained as given. It was important to know in question: 1.The position of the participants as it informs the extent of annual report participation 2.The sectors ensure each sector is represented 3.The number of local and foreign entities
4	This Question was revised, to remove the options of Corporate Governance and Chairman/CEO reports. These reports are mandatory; the answers will always be on the affirmative.
5	This question was revised with the options of IFRS and Management Discussions removed. As provided in Question four above, the reports are mandatory so the participants will always select that they are aware about them.
6	Revised as above to remove corporate governance and management and discussion as they are somehow mandatory.
7	Retained and revised for minor grammatical edits.
8	Question eight was first narrowed down to gaps alone. It was also split into questions eight and question nine. This was because, from responses, it was clear that gaps and challenges are different. Thereafter Questions 10 and 11 considered challenges separately. This made it possible to analyze gaps and challenges.
9, 10 and 11	The questions now became question: 12. Giving participants to choose from four options regarding awareness and adoption of integrated reporting 13. If adopted integrated reporting, the participant to explain the reason 14. If company has adopted integrated reporting to provide the experience, challenges and benefits so far. 15. If the company is not planning to adopt integrated reporting, the reasons for taking this option. 16. If the company is planning to adopt integrated reporting then when and why. This approach made the question friendly and it was expected that it will provide further insights about integrated reporting as compared to the first approach.
12 & 13	This became question 17 and 18 respectively with the formats retained.
14	This became questions 19 and 20. The participants were provided with a table for the capitals and requested to confirm if there is clarity in their classification. The options were expanded from 2 to 3 with (option of not sure). Question 20 provided sufficient space for participants to highlight the lack of clarity.
15	This became question 21 and the format was retained.
16	This became question 22 and revised to get open answers as opposed to Likert.
17	This became question 23 and 24 and maintained the same structure but reduced the Likert scale from 5 to 3 based on the responses to make the analysis easier.
18	Became questions 25 and 26; reduced from a 7 Likert Scale to 5 Likert Scale given the responses; commenced with positive to negative options in line with other Likert Scales. In addition, made question 26 open. This made the analysis clear.
19	Became question 27 revised to be an open ended rather than a 2 Likert scale.
20	Became Question 28, maintained the same 5 Likert Scale, but commenced with positive to negative options, to make it easier for participants respond.
21	Became Questions 29 and 30, reduced from 5 to 4 Likert scale based on responses and started from positive to negative options, for response and analysis.
22	Became Questions 31 and 32, maintained the same Likert but commenced with positive to negative affirmation for consistency.
23	Became Questions 33 and 34, and revised the wording of the question, reduced from 7 to 5 Likert scale based on the responses and make it easy for analysis.
24	Became Question 35.
25	Became Question 36, but now was open ended.

3.4.2.3 Interviews

The rationale for using interviews in this study has been justified from the empirical studies, the theoretical framework, the research paradigm, and the mixed-method design used in the study. Also, the use of interviews, compared to questionnaires, is more powerful in eliciting narrative data that allows researchers to investigate people's views in greater depth (Kvale, 1996; 2003). Cohen, Manion, and Morison, (2007, p. 29) add that interviewing is “a valuable method for exploring the construction and negotiation of meanings in a natural setting”.

To obtain the views of the regulators and users being equity analysts, the study applied interview guides provided in Appendix H for regulators and Appendix I for users. An alternative to interviews would have been questionnaires or focus groups. But interviews were used because more information may be accessible as compared to questionnaires (Blaxter, Hughes, & Tight, 2010, p. 172). For example, in a questionnaire, it is possible to ask a regulator whether integrated reporting should be made mandatory and if the answer is yes or no, then the regulator may comment on their choice of the answer. However, the comment given may not be clear or sufficient. Because of the limitation of a questionnaire, if the comment is not clear it may be difficult to arrive at a rational conclusion. However, with an interview, the regulator can clarify the comment and provide additional explanations for example, how the regulator can enforce the mandatory adoption and the period of notice that companies are required to adopt integrated reporting. Another important rationale for using the interview as opposed to a questionnaire is that a questionnaire is more applicable where the population is large, and it is difficult to interview all the participants (Alshenqeeti, 2014). In this study, the regulators were only 6 and equity analysts were only 14. Also, interviews have a high response rate, few if any incomplete answers, and the researcher can guide the discussion, and there is flexibility in asking more probing questions. In this study, 5 out of the 6 regulators agreed to be interviewed, and they also responded to all the questions.

Following Berg (2006), semi-structured interviews were used. See Appendix H and I, interview guide for regulators and users respectively. According to Berg (2006), a semi-structured interview “allows for in-depth probing while permitting the interviewer to keep the interview within the parameters traced out by the aim of the study”. For this study, regulators were asked if they think the current reports being prepared by companies are sufficient or require improvement (which is a closed question). If a regulator thought there is room for improvement, then the regulator was asked to highlight areas for improvement. This was an open question.

The choice and presentation of questions in the interview guide were like that of the questionnaire. For both regulators and users, they were expected to highlight their perspectives on current reporting and also on integrated reporting. This uniformity was important to make it easier for a comparison of the three perspectives.

Alshenqeeti (2014) explains that even though interviews are very popular in conducting research, care should be taken because of various limitations of interviewing. First, according to Robson (2002), interviews are time-consuming from carrying out the interview, coding, transcription, and data analysis. In this study, it took nearly two to three hours to interview the regulators and users. Second, Brown (2001) argues that interviews lack anonymity and hence it might be a challenge for some participants to accept to be interviewed, even after guaranteeing confidentiality. Given ethical considerations, all the regulators and users were guaranteed confidentiality, which may have contributed to a high acceptance rate for interviews by five regulators and 10 users/analysts.

3.5 Population and Sampling

3.5.1 Population

Population description in this research is provided in four elements: the content, the units, the extent, and a temporal dimension (Lepkowski, 2011). The first was the population of all companies (content), listed on the NSE (units), in Kenya (extent), from 2010 to 2016 (temporal dimension). A discussion of NSE listed has been carried out under the background of Kenya in Chapter Two. Appendix J provides a list of all companies listed over the seven years that were targeted in the study. The companies listed on the NSE are very important for the study as their annual reports were reviewed for disclosures and selection of various company factors to achieve objectives one and two. At the time of data collection, the majority of the listed companies were still preparing their annual reports for the year ended in 2017.

The population for the key stakeholders (content), preparers – being companies, regulators, and users–analysts (units), in Kenya (extent), as at the time of authorship i.e. 2018 (temporal dimension). The NSE listed companies from whose opinions were sought are given in Appendix I. Regulators of NSE listed companies and their roles were discussed in Chapter Three being: ICPAK, ICPSK, CMA, NSE, CBK, and IRA.

For users, the study focused on equity analysts, i.e. those who Analyse listed companies to invest in the companies. The list of analysts was obtained from the CMA. The list is provided in Appendix K. Even though, some potentially many analysts

conduct equity analysis for personal reasons or as part of their work, it was difficult to identify all the analysts in Kenya, specifically those who do it privately.

The rationale for using analysts to represent users, which was also the basis of preparing the interview guide is given by the investment process. Analysts follow the investment process to guide them in selecting securities such as equities to invest. The investment process has five main steps: the setting of investment policy, evaluation of investment vehicles (various asset classes such as equities, fixed income, and real estate), the formation of a diversified investment portfolio, portfolio measurement and evaluation of portfolio performance (Reilly & Brown, 2012). In evaluating quoted companies (equity), analysts rely on annual reports of the companies and other information that provide both financial and non-financial information.

Therefore, developments in corporate reporting, such as the adoption of integrated reporting, are useful to analysts. Integrated reporting attempts to link sustainability and corporate governance matters with financial reporting. To invest, there are asset managers who focus on socially responsible investing or sustainable investing paying attention to social and environmental factors. Various studies have been done to determine the success of such investment strategies with mixed results, which are however beyond the scope (see: Arjaliès, 2010; Guyatt, Birgden & Jia, 2009).

However, apart from a few studies done to show how ESG issues are incorporated in the investment process, there is little if any information about the success or challenges of incorporating ESG factors in the context of Kenya. Therefore, preparers, regulators, and analysts' perspectives were important for fulfilling the third objective.

3.5.2 Sampling

This study did not use sampling. Lind, Marchal, and Wathen (2006) provide five main reasons that justify the use of sampling. First, the results of a sample may adequately estimate the value of the population parameter, thus saving time and money. Therefore, a census, as opposed to sampling, was appropriate because it is precise (complete), more detailed, all-inclusive, and more credible i.e. does not suffer from sampling error (Kish, 1979). Second, it may be too time-consuming to contact all members of the population, but with the few listed companies, regulators, and users, this limitation did not arise. Third, it may be impossible to check or locate all the members of the population. The selection of a census assumed that the annual reports of the 65 companies are available and all the stakeholders could be reached. Fourth,

the cost of studying all the items in the population may be prohibitive, but here it was not due to the small population. Finally, testing may destroy the sampled item if it cannot be returned to the population (usually in medical research).

3.6 Data Analysis

Data analysis depends mainly on the specific objectives and the data collection methods and tools discussed in this section.

3.6.1 Corporate Reporting Disclosures from 2010 to 2016

3.6.1.1 Disclosure Checklists of IFRS, Sustainability Reporting and Corporate Governance

Integrated reporting is being encouraged for global adoption; this study has therefore used three global benchmarks to check the extent of corporate reporting disclosures. Barth, Konchitchiki, and Landsman (2007) posit that a high compliance level with IFRS disclosures is an indication of high-quality financial information. Therefore, it is expected that high compliance levels contribute to the faster adoption of integrated reporting. For non-financial information, the focus was on sustainability and corporate governance reports. Sustainability disclosures were analysed using the GRI-G4 reporting guidelines, which are the globally accepted standards for sustainability reporting (Brown, de Jong & Levy, 2009). The GRI-G4 guidelines came into effect in 2013, and previously, GRI-G3 guidelines applied. The GRI-G4 guidelines include a component of ethics and suggest companies set up a sustainability board. The OECD issues the globally acceptable corporate governance principles and hence the guidance for reporting (Jesover & Kirkpatrick, 2005). For corporate governance, the study used the OECD corporate governance principles of 2015, which are a minor improvement to the OECD 2004 corporate governance principles. The OECD corporate governance principles of 2015 provide more disclosures on directors' remuneration and related party transactions. In Kenya, OECD corporate governance principles are enforced by the CMA. High disclosures of sustainability and corporate governance as per GRI sustainability reporting guidelines and OECD corporate governance principles respectively are prerequisites for providing information for integrated reporting (Adams, 2010).

The study utilized self-constructed unweighted indices of IFRS (Appendix L), GRI-G4 for sustainability (Appendix M), and OECD/CMA for corporate governance scores (Appendix N). According to Bravo, Abad, and Trombetta (2009), the use of self-constructed unweighted indices measuring the quantity and quality of accounting

disclosures is becoming widespread, because of the ability to overcome the limitations of subjective ratings that arise from weighted indices.

The same approach of Ghazali and Weetman (2006) and Samaha et al. (2012) in scoring companies for IFRS was used. For the many disclosures required by IFRS, the first step in preparing the IFRS checklist was to determine the accounting standard applicable for each year, then the relevant standard applicable to a sector, and then the number of disclosures that are required for a sector. These disclosures were also confirmed with those used in the FiRe Award evaluation, where various experts provide guidance on disclosures required and on grading. However, when scoring a company, care was taken to ensure that if a disclosure is required, but the company has not made the disclosure then, it was necessary to confirm if the item applied. For example, IAS 16 on Property, plant and equipment requires a company to choose between the cost model and the revaluation model in measuring items of property, plant and equipment such as land and buildings. IAS 16 recommends disclosures that should be made under each model. For example, if a company chooses the revaluation model for its buildings, the company is required to disclose professional valuer. If a company does not use the revaluation model, then this disclosure is not relevant to the company. Given the list of IFRSs in Appendix M, the period between 2010 and 2016, there were only four accounting standards that were issued between 2010 and 2016 that applied in the same period from IFRS 9 to IFRS 13. IFRS 14, 15, and 16 were issued in 2014 and 2016 but applied to the periods from 2018. Therefore, there were minor modifications in IFRS in the disclosure requirements over the period. The number of disclosures was reduced to retain the relevant ones for a specific entity.

3.6.1.2 Awarding of the Scores on Disclosures

Guided by empirical studies, the study replicated the measuring level of Brennan's (2001) two way 0 and 1 (Dichotomous) approach of grading. Thereafter the study used Maali, Casson, and Napier (2006) approach of unweighted disclosure index for disclosure practices.

Eight research assistants with knowledge in accounting and research were trained on awarding scores. Initial pilot grading was done and then any variations discussed and minimized. Continued supervision was done to ensure that scoring was consistent. As explained before, for IFRS, the number of disclosures were reduced to the relevant ones for a specific entity. Appendix L provides the applicable standards by sector and the number of disclosures required. Despite this, the number of disclosures was generally consistent from one year to the next. The scoring process for each company and sector results in printouts of more than 1500 pages, therefore it

is a challenge to include as an appendix. Appendix L provides a summary of how one company was scored.

3.6.1.3 Use of Descriptive Statistics, Parametric and Non-parametric Tests

Once the scores for the various disclosures were determined, they were summarized using the general statistical measures broadly being central tendency and dispersion (Lind et al., 2006; Cohen & Lea, 2004). As provided in Chapter Four on findings and results, the main measures of central tendency were the mean and the median. The mean and the median of the scores provide information on the trends of disclosures from 2010 to 2016 to give information on whether there is an improvement in disclosures. The main measures of dispersion included: minimum and maximum values, the range, the interquartile range, and the standard deviation. The standard deviation, for example, provides information regarding consistency in disclosures, with a higher standard deviation implying high differences among the means of disclosures.

The next step was to check if the trends were significant, using various statistical tests (parametric or non-parametric). Choosing an appropriate statistical test depends on whether the scores are normal i.e. the data is symmetrically distributed with half the variables lying above the mean and the other half below the mean (Lind et al., 2006). According to Ghasemi and Zahedias (2012), there are three main ways to check if data is normal: Graphical/Visual, computational, and statistical significance. Visual requires a presentation using a histogram, a researcher can infer visually whether the data is normal. The computational approach requires the use of measures such as skewness and kurtosis, and Jarque and Bera (1987). Statistical significance recommends the use of tests suggested by Kolmogorov-Smirnov (K-S) and Shapiro-Wilk (S-W). Ghasemi and Zahedias (2012) recommend the use of statistical significance measures to check for normality as they are more reliable, with a 5% level being more common. According to K-S and S-W tests of normality, the null hypothesis is that data is normal and hence if the test is significant then the data is non-normal. Note that there are other tests of normality, but this study used K-S and S-W which is common in the empirical literature (Thode, 2002).

McKnight and Najab (2010) explain that inferences together with statistical significance should be made with T and Z statistics if the data is normal i.e. parametric tests. Also, a repeated measure of ANOVA with a Greenhouse-Geisser (1959) correction can check for the significance of the trends. According to the Greenhouse-Geisser Correction, the null hypothesis is that the trends are not different from one period to the next. If the test is significant, then the trends are significant. If the data is

non-normal, then non-parametric tests are suitable for inference (Siegel and Castellan, 2000). The main non-parametric tests used in this study were the Kruskal-Wallis one-way ANOVA Test and Wilcoxon rank Test (McKnight and Najab, 2010). The Statistical Package for Social Sciences (SPSS) was the main software that was used in establishing and presenting descriptive statistics. SPSS is common as it allows for easier data entry, data transformation, and data analysis using both parametric and non-parametric tests Arkkelin (2014).

The rest of the details are covered in Chapter Four with the data on results and findings.

3.6.1.4 Corporate Reporting Disclosures and Associated Company Factors: Econometric Models of Analysis

3.6.1.4.1 Introduction and Panel Data

Panel data applied to the study. As explained, the scores and variables for the companies were determined from the annual reports of listed companies between 2010 and 2016 (Wooldridge, 2010). Panel data combines time-series and cross-sectional data. A distinction is usually made between balanced and unbalanced panel data (Wooldridge, 2010). If some data items are missing in some periods (years) for individuals, then we have unbalanced panels. Unbalanced panel data applied to this study because the data sets of some companies were missing in some years either because the company was not listed, or the annual reports were not available (Wooldridge, 2010). A distinction is also made between short panels and long panels (Cameron and Trivedi, 2010). In short panels, N (meaning number of companies) is higher than T (Number of years), while in long panels T is higher than N. According to Baltagi (2005), the distinction between balanced and unbalanced and short and long panels is important because of some specification tests. STATA software applies models for both unbalanced and balanced panels. The data was a short panel with N being 50 companies and T being 7 years.

3.6.1.4.2 The Measurement of the Constructs for Independent Variables

The dependent variables in the models as given in Chapter Two are the scores for IFRS disclosures, sustainability reporting, and corporate governance reporting. The independent variables are the various company factors. Tables 3.3 and 3.4 highlights briefly how the independent variables were selected and/or measured where relevant. Table 3.3 provides the constructs for independent variables that were selected directly from the annual reports.

Table 3.3 Variables and constructs Selected Directly from the Annual Reports

Variables	Report
Total Assets	Statement of Financial Position
Total Equity	Statement of Financial Position
Revenue	Statement of Profit or Loss
Net Profit (Profit after tax)	Statement of Profit or Loss
Earnings Per Share (EPS)	Statement of Profit or Loss
Type of Auditor (With each auditor given a code)	Auditor's Report
Total Liabilities	Statement of Financial Position
Cash Flow From Operating Activities (CFO)	Statement of Cash Flows
Board Size	Corporate Governance Report
Board Composition as given by no. of non-executive directors	Corporate Governance Report
Board Composition as given by number of women on board	Corporate Governance Report
Ownership concentration as provided by block shareholding	Report of Key Shareholders
Ownership as given by Foreign (1) or Local (0)	Report of Key Shareholders

The type of sector not included in the above list is the same as that used by NSE being Agriculture, Automobile, Commercial and Services, Banking, Energy and Petroleum, Insurance, Investments, Industrial and Allied, Manufacturing, and Allied and Telecom.

Table 3.4 provides independent variables that were computed from the annual reports and other sources:

Table 3.4 Constructs for Independent Variables of the Study Computed from Companies' Data

Variable	Measurement
Market capitalization	Number of ordinary shares issued x end of year market price
Debt ratio*	Total liabilities/ Total Assets
Dividend Yield	Dividend per share/ End of year market price
Price-to-book value	Market Capitalization / End of year Equity
Price Earnings (P/E)	End of year Market price/ Earnings Per Share

3.6.1.4.3 Principal Component Analysis (PCA)

Before proceeding to the econometric model application, the first step was to reduce the variables that measure the various company features further into acceptable numbers. As provided in the literature, key variables like size can be measured by total assets, total revenue, and market capitalization. Profitability is also

measured by revenue, profit after tax, earnings per share, return on equity, and return on assets. Also, investor value is measured by variables such as Dividend Yield, Dividends Paid, Cash Flow from Operations, Price to Book Ratio and Price-Earnings Ratio.

As these variables measure the same traits of a company, there is potential for the variables to have high correlations and multicollinearity (Harvey, 1977). The Principal Component Analysis (PCA) is an alternative multivariate analysis tool that is applied to reduce the number of variables to few important ones (therefore retain key constructs) or to combine some constructs into a few principal ones i.e. combine some variables and come up with new ones (Rencher, 2003; Hardle & Simar, 2003). Principal Component Analysis does the reduction by identifying where the data has more variance using the eigenvectors and eigenvalues. The vectors are the lines with the highest variance and the eigenvalue provides the extent of the variation. The vector with the highest eigenvalue is the principal component. According to (Jolliffe, 1973), this study adopted the first approach because, if the second method was used, the creation of a new variable would have led to difficulty in interpreting the relationship between the main variable and the disclosures. Also, high correlations aid in reducing the number of variables together with PCA.

An alternative approach to reduce constructs is stepwise regression (Henderson and Denison, 1989). Stepwise regression requires an analysis of the contribution of each construct in the model and is omitted from the model if it is not having a substantial contribution. However, stepwise regression could not be applied in this study as constructs were grouped. To apply stepwise regression requires the constructs to be ungrouped, in which the elimination of constructs can lead to the risk of eliminating an entire set of constructs that measure a key variable.

PCA and correlation were therefore selected for this study and relevant tests conducted to confirm suitability. Before, using PCA in this study, the Kaiser-Meyer-Olkin (KMO) and Bartlett tests were conducted on the data to confirm if PCA is suitable for discarding variables (Jolliffe, 2002). If these tests identify the data as not suitable for PCA, then the focus would have been on correlation and multicollinearity tests. Constructs that are highly correlated are omitted and based on empirical and theoretical literature.

The test results are discussed in Chapter Four.

3.6.1.4.4 Testing for Multicollinearity

Multicollinearity is a measure of how the independent variables correlate with each other i.e. one or more of the independent variables is a linear function of other independent variables (Harvey, 1977). According to Berry and Feldman (1985), even though correlation among the variables is considered not a problem, high correlations lead to high standard errors and hence lower t/z statistics, which means more chances of failing to reject the null hypothesis (Type II error). Therefore, inferential statistics might be a challenge. Harvey (1977) recommends that multicollinearity is a matter of degree and hence the idea is to ensure that independent variables in a model do not have high thresholds.

One approach to check for multicollinearity is to use correlation analysis with high correlations among the independent variables signifying multicollinearity. A more reliable approach is to use the Variance Inflation Factor (VIF), which is calculated for each independent variable by using linear regression, then establish R^2 from the regression (O'Brien, 2007). The VIF is given as $1/(1-R^2)$. Besides, $1/VIF$ gives tolerance levels. O'Brien (2007), though with some variations in opinions, recommends a VIF as lower than 4 or a tolerance level of more than 0.25 to be acceptable. The results and findings for the multicollinearity test are discussed further in Chapter Five.

3.6.1.4.5 Testing for Autocorrelation and Heteroskedasticity

Autocorrelation is where the error in the current period is correlated with the errors in the last period, leading to misleading standard errors (Wooldridge, 2002). Distorted standard errors increase the risk of making the wrong inferences or conclusions about the model results. The Wooldridge test for autocorrelation test was carried for numeric data excluding ownership, sector, and type of auditor (this test is usually on numeric data) in Chapter Four.

As explained by Mazodier and Trognon (1978); Baltagi and Griffin (1988), panel data may exhibit heteroscedasticity. Panel data models are forms of regressions (ordinary least Squares-OLS) that apply to panel data. One assumption of the OLS is that error terms from one period to the next are constant i.e. homoscedasticity. A violation of these assumptions, i.e. errors not being constant, is referred to as heteroscedasticity. Just like autocorrelation, the standard errors are biased when heteroscedasticity is present. White's general test for heteroscedasticity (White, 1980) was also conducted on the panel data, and the results are provided in Chapter Six.

According to White (1980), robust standard errors can deal with both autocorrelation and heteroscedasticity in panel data. Robust standard errors address

the problem of errors that are not independent and identically distributed. Using robust standard errors does not change the coefficient estimates provided by OLS but change the standard errors and significance tests to make them more reliable.

3.6.1.4.6 Data Analysis Using Pooled OLS and Between Group and Within Effects (Time)

Pooled Ordinary Least Square (or Pooled OLS) derives the normal linear regression of panel data assuming that population items have the same intercepts and slope coefficients. Linear assumptions for pooled OLS should apply; Error terms are not correlated with the independent variables; error terms are the same from one period to the other (homoscedasticity) and are not related to one another i.e. no autocorrelation (Greene, 2008). With heteroscedasticity and autocorrelation, the Pooled OLS can be Analysed using robust standard errors. The Pooled OLS can be further broken into Within and Between Groups (Park, 2009). The between-group derives the regression line using the individual companies to establish whether cross-section is a better model fit, while within time derives the regression line using time series to establish if the time series is a better model fit (Park, 2009).

The formula for Pooled OLS:

$$Y_{it} = \alpha + X_{it}\beta + \epsilon_{it}$$

Where y is the dependent variable, x is the independent variable and ϵ is the error term, i and t represent the group/company and time components respectively.

Several studies that have applied Pooled OLS in accounting research are those of van Staden (1999), Negash (2001), De Wet (2005), Barako et al. (2006), and De Wet and Du Toit (2007). The studies, though, did not apply suitability checks such as the Chow Test of Poolability, which is discussed next. The results of the Pooled OLS and between the group and time (Within) effects are provided for all the scores in chapter five.

In terms of panel data, the two broad approaches are either Pooled OLS which does not account for factors like changes in variable features across individuals or over time (endogeneity) and panel data models. Broadly, two panel data models are common i.e. static and dynamic. Static panel data are fixed effects model and random-effects models. According to Hsiao (2003), panel data models are more beneficial than ordinary least squares because of the ability to control for individual differences, ability to measure changes in individual characteristics and features over time, and ability to reduce biases by aggregating data across individuals and time. Individual differences

called heterogeneity can be observed (for example different sectors and other firm characteristics like profitability, size, and leverage) and unobserved i.e. within a sector like agriculture, we can have some companies specializing in cash crops while others specializing in livestock production, but this difference is not highlighted in the regression models. Dynamic panel data models are explained in Section 3.6.1.4.8.

To choose a suitable model between pooled OLS or panel methods, the Poolability test as recommended by Chow (1960) was carried out. There are several approaches to conducting the Poolability test. The basic approach of the Poolability test is to split the data into two groups and determine various parameters for each group. Another approach requires the use of dummy variables based on individual companies and on time effects. Another approach is to compute regression lines from each company or based on time with the F test to check for significance in their differences. A final approach requires comparing the different constants, or coefficients or standard errors to establish through the F test if differences are significant.

For many companies, the dummy variables approach causes a loss in the degrees of freedom (Park, 2009). The study, therefore, split the companies into two groups and estimated their regression lines. The Chow test checks whether one regression line is suitable or two separate regression lines are required. If one regression line fits the data, then the data is pooled, otherwise, if two separate lines should be fitted, then Pooled OLS is not suitable for the data (i.e. the data is not poolable).

The null hypothesis for the test is that the data set can be represented with a single regression line. Using the current data, and computing the F statistics as recommended by Chow:

$$= \frac{(RSS_p - (RSS_1 + RSS_2)) / k}{(RSS_1 + RSS_2) / (N_1 + N_2 - 2k)}$$

where:

- RSS_p = pooled (combined) regression line.
- RSS_1 = regression line for group 1.
- RSS_2 = regression line for group 2.

Once Poolability is confirmed as appropriate, then the models are checked for model fit by referring to the F test and the significance of the individual variables given by the p values.

3.6.1.4.7 Static Panel Econometric Data Models: Fixed Effects and Random Effects Models

Pooled OLS may cause problems in panel data when a dependent variable (in our case the disclosure scores) exhibits heterogeneity (differences) beyond what can be explained by the variation in independent variables (unobserved heterogeneity). If heterogeneity is not considered for these individual effects, the independent variables will lead to biased estimates because of poor model fits.

Therefore, unobserved heterogeneity is most likely accounted for using the static panel models; fixed-effects model, and/or random-effects model (Baltagi, 2013). The fixed-effects model is usually used whenever the researcher is interested in analysing the impact of variables that vary over time though the individual characteristics of a company are “fixed”. The fixed-effects model, therefore, omits time-invariant variables such as sectors and age given in the current study. The random-effects model is usually used when the differences across companies influence the dependent variable. The main advantage of the random effects model is that the impact of time-invariant variables can be factored in the model. In the current study, time-invariant variables were: Type of auditor, sector, ownership, and age.

Static models like Pooled OLS have their assumptions as well. The fixed-effects model assumes that individual features that are time-invariant may bias the dependent variables and hence this should be controlled for. Also, the time-invariant variables (for example sector code) should not be correlated with other individual characteristics (such as ownership). Each company is different; therefore, the error term should not correlate with other companies, if there is a correlation, the random-effects model is appropriate. According to the random-effects model, the main assumption is that the variation across entities is assumed to be random and uncorrelated with the independent variables. The random-effects model allows inferences to be generalized beyond the sample in the model. However, the study paid more attention to the results provided by the random-effects model rather than estimation.

The fixed-effects model formula is given as follows:

$$Y_{it} = \beta_1 X_{it} + \alpha_i + u_{it}$$

Where

- α_i ($i=1 \dots n$) is the unknown intercept for each entity (n entity-specific intercepts).
- Y_{it} is the dependent variable (DV) where i = entity and t = time.
- X_{it} represents one independent variable (IV),
- β_1 is the coefficient for that IV,
- u_{it} is the error term

There are several variants of the fixed effects model: One-way Fixed effects Model (Group, also called least square dummy variable-LSDV), One-way Fixed Effects Model (Time), Two-way Fixed Effect Model and the Difference-in-Difference estimator (Park, 2009). One-way models use group (companies) or time as a basis of the intercepts. The Two-way model combines the effects of both group and time and hence is considered more efficient in terms of inferences and estimations (Park, 2009).

The difference-in-difference estimator assumes that the companies operate in different sectors where there are different laws (Baltagi, 2013). Therefore, the difference-in-difference estimator was not used in the study.

The formula for the random effects model is given as follows:

$$Y_{it} = \beta X_{it} + \alpha + u_{it} + \varepsilon_{it}$$

The random-effects model is the same as that of the fixed effects model but adds the random error component ε_{it} , which is controlled for in the fixed-effects model. Like the fixed effects model, the random effects model also consists of several variations: the one-way group, the one-way time, and the two-way random effects model (Park, 2009). The two-way random effects model is also called the mixed-effects model (Baltagi, 2013).

A choice is usually made between the fixed effects and random effects Models. Townsend, Buckley, Harada, and Scott (2013) suggest three criteria: the assumptions about the models, the trade-off between bias reduction and efficiency, and the interest of a researcher regarding the variables of interest. The assumptions about the models have already been discussed in the previous paragraphs. The Hausman test (Hausman, 1978) aids in identifying the suitable model between the fixed effect or random effects by considering bias and efficiency. The Hausman test analyses the difference in parameters of the fixed and random effects in the context of the trade-off between bias and variance in the methods. The random effects is biased but has a lower variance for the coefficients of the estimates. Fixed effects is not biased but has a high variance in the coefficients (Clark & Linzer, 2015). The null hypothesis is that

fixed effects and random effects estimators are not different. If the null hypothesis is rejected, that means that the error term under random effect is likely correlated with one or more independent variables (Gujarati & Porter, 2009). Finally, in choosing the models, consideration is given to the researcher's interests regarding the variables of choice. For example, to study the effects of time-invariant variables in the current study, the random-effects model would most likely be the better method of the two.

Several considerations should be made when applying the Hausman test. The robust Hausman test is recommended for an unbalanced panel exhibiting heteroscedasticity, as it allows for relaxing the assumptions about errors i.e. the variance and correlation (Cameron & Trivedi, 2010). If the robust Hausman test confirms that the random-effects model is suitable, then the strength of the model is checked using the F statistic, and the R^2 in the model results. Also, Breusch and Pagan (1980) devised a Lagrange multiplier test for the random-effects model based on the OLS residuals.

The applicability of static panel data models in accounting and finance is growing. Strong and Walker (1993) used the fixed effects model to analyse how relevant earnings per share is in the valuation of share prices for listed companies in South Africa, Pittman and Fortin (2004) who analysed how the relationship between audit choice and cost of capital and Matthews, Murinde and Zhao (2007), who investigated banking competition in the UK. De Haas and van Lelyveld (2006) used a random-effects model to check for the impact of economic activity on banks' performance.

3.6.1.4.8 Dynamic Panel Data Models

The static panel data models of fixed effects and random effects usually assume strict exogeneity i.e. the current dependent variable is not related to the past or future period independent variables and errors (Engle, 1983). However, some data sets may have a violation of strict exogeneity, when the current dependent variable is affected by errors and past values of the dependent variables.

Unlike static panel data models, dynamic panel data models include lagged values of the dependent variable as regressors. Recent developments in the econometrics of panel data have seen the growth of dynamic panels (Baltagi, 2013). Even though the focus of dynamic panel data is in economics (Baltagi, 2013), dynamic models can also be applied in finance (Flannery and Hankins, 2012).

When the assumption of strict exogeneity is violated, the static models are inconsistent in estimation. Several dynamic panel data models have therefore been recommended. First, Anderson and Hsiao (1982) proposed the use of the Anderson-

Hsiao estimator that requires instrumental variables (IV). Secondly, we have the Arellano-Bond estimator which uses a similar set of instruments to that of Anderson-Hsiao, but with Generalized Methods of Moments (GMM) i.e. allowing for assumptions about specific variables, and not the entire distribution (Arellano-Bond, 1991). Other dynamic models have been suggested as will be discussed later.

Regression models for dynamic panel data are usually in the following formula:

$$y_{it} = \beta_1 + \rho y_{i,t-1} + X_{it}\beta_2 + u_i + \epsilon_{it}$$

In this study, dynamic models were used to check if they are suitable for the model data and hence if they can provide more information regarding the relationship between scores of different periods i.e. assuming that the various scores are affected by previous period dependent variables i.e. lagged values. For example, Scores in the year 2015 may have a relationship with the scores of 2014 (One lag) or 2013 (Two lags). One lag may also be referred to as Autocorrelation 1 (AR 1) and two lags (AR 2).

In estimating the dynamic data panel models, the first step was to select various models from the ones available. The individual effects dynamic panel data accounts for individual effects by differencing the data as proposed by Hsiao (1982) and Arellano and Bond (1991). The GMM chooses parameter estimates to minimize the weighted distance between the theoretical and actual values as recommended by Arellano and Boover (1995).

The next step was to specify the lagged values with the option to use one lag (AR1) and two lags (AR 2). Relevant models are therefore fixed effects and random effects with AR1 (with one lag), Maximum Likelihood Estimator (Hsiao, 2002), and the Arellano and Bond (1991) Generalized Methods of Moments (GMM) estimator with 1 and 2 lags and Arellano and Bover Estimator (1995). The study did not use the Fixed effects and Random effects dynamic panels. These models, using similar assumptions to the static models, incorporate the effects of lagged errors as part of the independent variables. The Maximum Likelihood estimator suggested by Hsiao (2002) deals with dynamic panel random-effects models that have problems with small samples such as coefficient and variance estimates by increasing the likelihood of the function of the first differences. Both estimators, however, even though could be used in the current study, usually, Arellano-Bond model is more efficient.

The Arellano-Bond (1991) and Arellano-Bover (1995) dynamic panel estimators are increasingly becoming popular. Both are general estimators designed for situations with short panels, meaning few periods and many individuals like in the current study. Additional requirements for the two models include a linear functional

relationship, a single variable that depends on its past values, independent variables that are correlated with past and possibly current values, and individual heteroskedasticity and autocorrelation, but not across them.

Arellano Bond estimation starts by transforming all regressors using the GMM (Hansen, 1982). Rather than predict the lagged dependent variable based solely on its previous value, Arellano and Bond (1991) propose more instruments that use all previous values to predict the present. For example, in this model: t_{i1} is used to predict t_{i2} ; t_{i1} and t_{i2} to predict t_{i3} ; t_{i1} , t_{i2} , and t_{i3} to predict t_{i4} ; and so on.

The Arellano-Bover estimator augments Arellano-Bond by making an additional assumption, that first differences of instrument variables are uncorrelated with the fixed effects. This allows the introduction of more instruments that can dramatically improve efficiency. It builds a system of two equations—the original equation as well as the transformed one—and is known as System GMM.

The last step in dynamic panel data analysis is to use the white corrected standard errors and the Sargan (1988) test to determine if the instruments are suitable (Test for over-identifying restrictions). Given the null hypothesis, we test that the instruments are all orthogonal (uncorrelated) to model errors. Under the null hypothesis, the Sargan test statistic is:

$$N(T - 2)R^2 \sim \chi^2 df$$

Where R^2 is the explained variation obtained from regressing the errors of the IV regression on the full set of instruments, and df is the number of over-identifying restrictions (i.e. the number of excess instruments).

As explained earlier, dynamic panel models are more popular in economics, (see Baltagi, 2013). Recently, dynamic panel data models have been used in various studies in accounting and finance; Lemmon, Roberts, and Zender (2008), Huang and Ritter (2009) and Faulkender, Flannery, Hankins and Smith (2012) and Morellec, E., Nikolov, B., and Schurhoff, N. (2012). Lemmon et al. (2008) used dynamic fixed-effect models to check on whether there is a relationship between current and future capital structures. In terms of Arellano-Bond and Arellano-Bover that were used in the current study, most of the studies have focused on economic theory and hence little if any in accounting. See Acemoglu et al. (2005) used Arellano and Bond in estimating the effect of education democracy and Arellano and Bover (1995) introduced their dynamic model by extending the study of Hausman and Tylor (1981) estimator that checked for factors that contribute to wage that range from work experience to years in school.

The rest of the details together with the findings and discussions are provided in Chapter Four and Chapter Five.

3.6.2 Integrated Reporting Disclosures and Company Factors and Other Disclosures

3.6.2.1 Integrated Reporting Disclosure Checklist

For the dependent variable of integrated reporting, the scores were determined from an index prepared from the integrated reporting framework of 2013 as provided by IIRC (See Appendix N).

3.6.2.2 Awarding of the Scores

Similar to other indices for IFRS, sustainability, and corporate governance, in awarding scores for integrated reporting disclosures, the study replicated the measuring level of Brennan's (2001) and Barako et al. (2006) two way 0 and 1 (Dichotomous) approach of grading. Thereafter the study used Maali et al. (2006) approach of unweighted disclosure index for disclosure practices.

3.6.2.3 Use of Descriptive Statistics and Non-parametric Tests

Once the scores for integrated reporting were determined, they were summarized using the general statistical measures of central tendency and dispersion (Lind et al., 2006; Cohen and Lea, 2004). As provided in Chapter Five on findings, the main measures for central tendency; mean of the scores and the median. The mean and the median of the scores provide information on the trends from 2010 to 2016 to give information on whether there is an improvement in disclosures. The main measures of dispersion used were minimum and maximum values, the range, the interquartile range, and the standard deviation. The standard deviation, for example, provides information regarding consistency in disclosures, with a higher standard deviation variability in disclosures.

To determine whether the trends in integrated reporting scores were significant depending on whether the scores followed a normal distribution. According to McKnight and Najab (2010), inferences together with statistical significance should be made with T and Z statistics if the data is normal i.e. parametric tests. If data is not normal, other tests of normality can be carried out as recommended by Ghasemi and Zahediasl (2012) being, Kolmogorov-Smirnov (K-S) and Shapiro-Wilk (S-W) tests of normality at 95% (and rarely 99%) significance level. Once the tests confirm that the data is non-normal, then non-parametric tests can make the inference about the data (Siegel & Castellan, 2000).

The rest of the details are discussed in Chapter Four on Findings and Results.

3.6.2.4 Integrated Reporting Disclosures and Associated Company Factors: Econometric Models of Analysis

This section is the same as that discussed in section 3.6.1.4 on IFRS, Sustainability, and corporate governance disclosure scores, though now the dependent variable is the integrated reporting disclosure scores. Also, the econometric models include IFRS disclosure scores, sustainability disclosure scores, and corporate governance disclosure scores as part of independent variables. The application and results for integrated reporting scores and other company factors are presented in Chapter Five.

3.6.2.5 Use of Correlation Analysis for all Variables

Rodgers and Nicewander (1988) explain that since its invention by Galton and advancement by Pearson, researchers must be careful how they interpret correlation because of its many dimensions. This study will not discuss each dimension, but readers can refer to the authors.

For this study, the definition of correlation adopted was that of the standardized slope of the regression line, which usually tells us the direction of two variables and standardization enables the strength of the association to be established. Onwuegbuzie and Daniel (1999) explain that correlation is popular in social sciences as the main tool of analysis including hypothesis testing or a secondary tool of analysis once the complex analysis has been done. The study also presents correlations of other variables, though this will not be the primary focus, information on how the variables are related is important as discussed in Chapter Four.

The formula for correlation is provided as follows (Onwuegbuzie & Daniel, 1999).

$$r = \frac{\Sigma(X_i - \bar{X})(Y_i - \bar{Y})}{[\Sigma(X_i - \bar{X})^2 \Sigma(Y_i - \bar{Y})^2]^{1/2}}$$

Where r is the Spearman's rank correlation, X and Y represent the independent and dependent variables respectively. According to Chan (2003), the t-statistic is usually recommended to test the significance of the association. The details of the correlation results are provided in Chapter Five.

3.6.3 Perceptions of Preparers, Regulators and Users

3.6.3.1 Perceptions of Preparers from the Questionnaire

To obtain the perspective of the preparers on current and integrated reporting, a questionnaire administered online was used, and is provided in Appendix P. Google

forms was used, which allows data to be exported to excel, and then a functional software like SPSS for statistical analysis. SPSS provided descriptive statistics for closed-ended questions, i.e. questions that have a dichotomous or Likert scale response with relevant non-parametric tests. For open-ended questions, an approach recommended by Creswell (2003) was used i.e. the text was Analysed and repeated themes identified and summarized into broad categories for interpretation.

3.6.3.2 Perspectives of Regulators and Users (analysts) from Interviews

To obtain the perspectives of the various regulators and users on the current reporting framework, and the proposed integrated reporting, interviews were conducted. Unlike in using a questionnaire where statistical tools support collecting and analysing data, interviews required the transfer of data manually.

Where data collection and analysis are not supported by software, as in the case of interviews, the process and analysis recommended by Creswell were used. There are about six steps. Step one requires data collection and management, in which case, this ranged from setting up the interview, asking questions, and recording responses by data. For regulators, respondents declined to be recorded (voice is not anonymous) but agreed to sign a summary of the discussion once reviewed. Only one analyst was okay with recording the discussions. The second step was to organize the data, for example, a word document for each interview was named after the regulator or analyst, then placed in various folders. Step three was to code and describe the responses guided by the questions asked. Step four was to identify the themes. For example, question two asked regulators to give their view on the standards of reporting financial and non-financial information. Step five required connecting and identifying the data. For example, if sustainability matters are to be improved, as given in question two, then responses in question three on integrated reporting were reviewed to see if integrated reporting fills this gap. The aim was to identify if a regulator supports integrated reporting to improve on sustainability matters. Step six, the final step, required interpretation of the findings made that was done in Chapter Four on findings and Results and Chapter Five on discussions.

3.7 Reliability and Validity of Data Collection and Data Analysis

3.7.1 Introduction

Reliability and validity are important aspects of social science research that aim to improve the quality of evidence collected and measurement tools that are used to Analyse data (Mohajan, 2017). Reliability measures how stable research findings are

if repeated and validity measures how truthful the results are (Altheide & Johnson, 1994). Reliability and validity are assessed from data collection methods and instruments to measurement and data analysis (Zohrabi, 2013).

3.7.2 Reliability of Data Collection and Data Analysis

There are two aspects of reliability i.e. external reliability and internal reliability as proposed by Zohrabi (2013). External reliability is the extent to which the study can be replicated. To achieve external reliability, the researcher should provide the social situations with participants, describe participants and definitions, units of analysis and key assumptions, and a description of the data analysis (Nunan, 1999). A description of the companies, the regulators, and the users have been provided. For companies, they have been classified under sectors, while on the collection of questionnaires, respondents were preparers and positions provided in findings. These elements have been provided in Chapter Two, where the theoretical framework and empirical studies were discussed with the generation of variables and constructs. The various data collection methods, tools, and samples have been provided in the appendices, and data analysis has been discussed in Section 3.6.

Internal reliability deals with the consistency of collecting, Analysing, and interpreting data. LeCompte and Goetze (1982) explained that internal reliability is achieved by using low inference descriptors, multiple researchers, peer examination, and recorded data. Low inference descriptors apply when, closed-ended questions are used in the questionnaire or structured interviews, hence easy to code and Analyse and therefore possible for different researchers to arrive at the same conclusion. This was common for most questions as given in the questionnaire and a few structured questions in interviews. However, even though open-ended questions and unstructured questions can be difficult to replicate and derive themes, repeated analysis, and other recommended approaches to coding and hence key themes can be established.

Use of multiple researchers aids in reducing the main researcher bias. As explained in the document review, eight research assistants were used to award scores for disclosures made by companies. This ensured objectivity in awarding the scores. Peer reviews were used in the current study in various ways. First, views were obtained from independent research professionals in seminars and conference presentations. Second, papers from the research were submitted for publication in peer-reviewed journals. Third, some key findings were compared with those of other empirical findings as discussed in Chapter Five. Finally, records have been kept, in electronic format for the annual reports Analysed and questionnaires Analysed by the

use of Google forms soft copies of interview responses that can allow for any independent researcher to replicate and confirm the findings.

The questionnaire was checked for internal reliability using Cronbach's alpha, which was developed in 1951 by Cronbach (Azubuike, 2013). Cronbach's alpha quantifies qualitative data for analysis, by using some of the questions and constructing a latent variable by combining the set of questions. These measures should correlate since they are meant to measure the same thing, hence there is a need to check for internal consistency between measures from the same construct (Azubuike, 2013).

Reliability is the extent to which measures for the same constructs or latent are related. The alpha lies between 0 and 1. Tavakol and Dennick (2011) provided the rule of thumb for the coefficients; $\alpha > 0.9$, – Excellent, $\alpha > 0.8$, – Good, $\alpha > 0.7$, -Acceptable, $\alpha > 0.6$, – Questionable, $\alpha > 0.5$, – Poor and $\alpha < 0.5$, – Unacceptable. A higher alpha denotes a good internal consistency of the measures. In this work, Cronbach's alpha coefficient was used to measure internal consistency because the tool had multiple Likert scale questions and this formulation would determine if these scales are reliable (Field, 2013). The current question numbers are not the same number as those questions given in Appendix F, because the questionnaire was subsequently revised based on responses, and other validity and reliability checks.

Figure 3.1 below presents a summary of Question 23 reliability test, which was initially Question 17.

Question 17	α if Item Deleted	Cronbach's α	N	Status
Strategic Focus & O	0.614	715	Items = 7	Reliable
Connectivity of Info	0.600			
Stakeholder Rela	0.670			
materiality	0.849			
Conciseness	0.599			
Reliability & Comp	0.749			
Consistency & Comparability	0.623			
			N = 10	

Figure 3.1 Cronbach's Alpha for Question 23

From Figure 3.1, above the Cronbach alpha was greater than 0.7 hence it is reliable (Santos, 1999; Tavakol & Dennick, 2011). The table also provides the Cronbach alpha if one of the measures is removed. It's evident that only reliability and Completeness of question results in the improvement of the alpha.

Figure 3.2 on page 131 presents a summary of the reliability test of 25, which was initially Question 18.

Question 18	α if Item Deleted	Cronbach's α	N	Status
Organization Overview & External Environment	0.791	0.822	Items = 7	Reliable
Governance	0.838			
Business Model	0.781			
Risk and Opportunities	0.782			
Strategy & resources	0.801			
Performance	0.791			
Outlook	0.791			
			N = 10	

Figure 3.2 Cronbach's Alpha for Question 25

From Figure 3.2, the Cronbach alpha is greater than 0.8 hence it is reliable. The table also provides the Cronbach alpha if one of the measures is moved. It's evident that only Improve Trust with Stakeholders question results in the improvement of the alpha.

Figure 3.3 presents a summary of the question of the reliability test for Question 25, which was initially Question 20.

Question 20	α if Item Deleted	Cronbach's α	N	Status
Organization Overview & Ext	-.261 ^a	0.5214	Items = 7	Reliable
Governance	0.180			
Business Model	-.526 ^a			
Risk and Opportunities	0.373			
Strategy & resources	0.018			
Performance	-.632 ^a			
Outlook	-.396 ^a			
			N = 10	

Figure 3.3 Cronbach's Alpha for Question 25 revised

From Figure 3.3, the Cronbach alpha is less than 0.7 hence it is questionable. The table also provides the Cronbach alpha if one of the measures is moved. It's evident that only performance and business model that results in improvement of the alpha.

Figure 3.4 on page 132 presents a summary of the reliability test Question 29, which was initially Question 21.

Question 21	α if Item Deleted	Cronbach's α	N	Status
Meets Investor Needs	0.848	0.871	Items = 11	Reliable
More Non-Financial Information	0.861			
Improve Trust with Stakeholders	0.885			
Better resource allocation	0.856			
Cost reduction	0.849			
Enhanced Risk management	0.859			
Opportunity Identification	0.867			
Reduced Reputational Risk	0.859			
Lower Cost of Capital	0.863			
Easier access to capital	0.858			
Collaboration across functions	0.851		N = 10	

Figure 3.4 Cronbach's Alpha for Question 29

From Figure 3.4, the Cronbach alpha was greater than 0.8 hence it is reliable. The table also provides the Cronbach alpha if one of the measures is moved. Only the Governance question results in the improvement of the alpha.

Figure 3.5 shows the Cronbach's for Question 31, which was initially Question 22. Alpha was greater than 0.7 hence responses from the question are reliable. The table also provides the Cronbach alpha if one of the measures is moved. It's evident that only Lack of Audit and assurance on IR question and Inadequate information system question that did not result in improvement of the alpha.

Question 22	α if Item Deleted	Cronbach's α	N	Status	
Different Regulations	0.832	0.715	Items = 11	Reliable	
Information to Competitors	0.810				
Lack of Knowledge	0.788				
Inadequate information system	0.705				
Lack of clarity on person in charge of IR	0.742				
Lack of Audit and assurance on IR	0.713				
Time Required	0.735				
Overlaps with other reports	0.789				N = 10

Figure 3.5 Cronbach's Alpha for Question 31

3.7.3 The validity of Data Collection and Data Analysis

Validity is whether the research can be depended upon i.e. can be trusted to be true by various stakeholders. Onwuegbuzie and Johnson (2006), Bryman et al. (2007), Drost (2011), and Taherdoost (2016) suggest several facets of validity. For the

different approaches refer to the detailed discussions provided by Onwuegbuzie and Johnson (2006).

Criterion validity is the extent to which a measure can forecast or predict the outcome (Messick, 1989). Criterion validity is useful for quantitative analyses such as regression models. In this study, even though econometric models for panel data have been used to measure the association between disclosures scores and the associated company factors but not used for prediction, various diagnostics tests were used to ensure that the models' results are valid. Criterion validity has three main subtypes: Predictive validity, concurrent validity, and postdictive validity (Tarhedoost, 2016). The findings of the current study that may require prediction of time required to adopt integrated reporting can only be carried out. Diagnostics tests for econometric models discussed in Section 3.6 ensure that the models have both concurrent and predictive validity. Also, the questionnaire was piloted to ten respondents, before applying to the rest of the participants. Postdictive validity was achieved in several ways; for example, the econometric models have been used in prior studies.

Other aspects of validity include the face (Oluwatayo, 2012), the convergence (Campbell & Fiske, 1959), the discriminant (Fornell & Larcker, 1981), and the external validity (Cook, Campbell & Day, 1979). The questionnaire and interview guide were checked by experts for face validity; grammatical aspects addressed, and clarity improved, by revising any ambiguous questions, and a pilot test on the questionnaire. Content validity was achieved by engaging various experts who evaluated the questionnaire and interview guides to ensure that all questions addressed the research objectives as per the recommendations of Boudreau (2004). Construct validity is the extent to which an idea can be operationalized at two levels, the first test for divergence i.e. such as the multicollinearity test. For convergence, Net Profit Margin, one of the constructs used to measure profitability might report a high correlation with the other constructs like Return on Equity (ROE). For discriminant validity, Net Profit Margin reporting will probably report little or no correlation with other constructs for leverage like Debt Ratio. External validity was achieved by using an entire population rather than a sample.

Merriam (1998) suggests several approaches that achieve internal validity i.e. the extent to which research findings represent reality. One approach that has been discussed under reliability is the triangulation of research findings. With interviews, ensure that participants check again and sign off as the true record of what was discussed. Peer reviews were carried out with various experts in workshops and other forums. Besides, the participants were informed about the purpose of the study through a letter of introduction, then during the questionnaire and interview, they were informed

again about the purpose of the study and promised that a final report will be shared upon completion of the research. See Appendix Q for a sample letter of introduction.

3.8 Key Ethical Issues and How They Were Managed

3.8.1 Introduction

In planning and conducting this research, several issues were addressed to ensure that the objectives were achieved ethically. The proposal was submitted to the Institutional Ethics and Scientific Review Committee (IESRC) of the AMREF for ethical approval. At the time of the review, Strathmore University's application for the renewal of the Strathmore Institutional Ethics and Scientific Review Committee (SESRC) was under review. This was subsequently reviewed but after the ethical letter from AMREF had already been issued (See Appendix R). All the ethical procedures were followed in accordance with the Helsinki Declaration of 1975 Nuffield Council on Bioethics (Whittall, 2008). Also, the conduct of the research was approved by the local regulator, National Commission for Science, Technology and Innovation (NACOSTI). See permit provided in Appendix S.

3.8.2 Exposure of Research Participants to any Form of Harm

The participants were not subjected to any harm in this study. Harm includes physical harm, psychological distress, and discomfort, social discomfort or financial loss, and intrusion on privacy (Akpabio & Esikot, 2014).

3.8.3 Informed Consent of Participants

The participants were required to confirm if they wished to take part in the research. They were briefed about the details of the research and their role. Also, no participant was coerced or deceived to take part in the study. Finally, research participants had the option to withdraw from the study at any point. The informed consent form is provided in Appendix R.

3.8.4 Confidentiality of Participants and Information

The participants were assured of confidentiality. This was achieved in various ways, for example, by omitting their names in the questionnaires and interviews and maintaining anonymity. Besides, if confirmation was required of information in the research, then a participant's consent was sought first.

3.8.5 Honesty and Transparency in Obtaining and Analysing Data

Information was obtained, analysed, and discussed objectively to minimize any skewed or misleading reports. The use of another author's work, where relevant, was appropriately referenced. The use of any research assistants in data collection and analysis ensured that objectivity and ethical considerations were provided and affirmed. There was no compensation of any kind for participation in the study.

An ethical clearance letter was issued by IESRC of AMREF and is included in Appendix Q.

3.9 Summary of the Chapter

In this chapter, the methods that were used in the study, and the rationale for using the methods have been discussed. Key issues covered: the philosophical underpinning of the study, the research approach, data collection methods and tools, population and sampling, data analysis, reliability and validity of the research, and how the key ethical issues were managed.

In terms of the research paradigm, this study adopted a multi-method approach of positivism (for objectives one and two) and post-positivism (for objective three). Under positivism, the world is knowable, research is objective and reductionist, and findings are quantitative. Under post-positivism, the world is ambiguous, research is intuitive, the researcher is subjective, the methodology is inductive, and the findings are qualitative.

The multi-method approach above justified the use of the mixed method that combines both quantitative and qualitative approaches in data collection. To achieve objectives one and two, document review/analysis was used and objective three was achieved by using questionnaires (self-administered online). Ideally, document reviews/content analysis was selected because of the empirical literature. A questionnaire was used in line with empirical literature and is timely, faster, and required little resources to implement. Interviews also provide for deeper discussion and given that the participants were fewer.

The population and sampling were also discussed. In this study, the first population for content analysis and objectives 1 and 2 specified all companies listed on the NSE in Kenya from 2010 to 2016. The second population for objective 3 was all preparers/companies, regulators, and users (analysts) in Kenya as at the time of authorship i.e. 2018. No sampling due to the low numbers i.e. 65 companies, 6 regulators and 14 analysts.

Data analysis depends on the research objectives. For objectives one and two, the first step was to design self-constructed indices for the study utilized self-constructed unweighted indices. Scores were awarded using the dichotomous approach of 1 for disclosure and 0 for non-disclosure. Also, various econometric models that deal with unbalanced panel data (data covering several units – cross-sectional, and spanning several years – longitudinal, with some years of data sets missing) were used to Analyse data to establish the relationship between the various scores and company features. The initial models start with Pooled OLS, followed by static panel data models being fixed effects and random effects that are recommended where data cannot be pooled into one single large data set. Also, dynamic panel data models were used to check the effects of lags in errors and independent variables on the disclosure scores. Principal Component Analysis was used to establish key variables. Tests of autocorrelation, heteroskedasticity, and multicollinearity were also conducted. Other diagnostic tests were conducted to check model specifications. For qualitative data, some aspects of questions were converted into quantitative data and Analysed to establish overall findings and where relevant, used various parametric and non-parametric tests. For qualitative data, themes were Analysed to extract the key themes.

In terms of quality, reliability and validity are the two important aspects that are assessed. Reliability measures how stable research findings are if they are to be repeated and validity measures how truthful the results are. The purpose of reliability and validity in research is to ensure that research findings can be trusted (i.e. they are true or factual) and hence can be relied upon to make inferences and decision making. The study aimed to achieve reliability (both internal and external reliability) and validity (face, content, construct, external and internal validity).

Chapter Three completed with a discussion on how ethical issues were managed in the study. In conducting the study: no participant was exposed to any form of harm; informed consent was obtained from all participants; confidentiality of participants and information was maintained, and honesty and transparency in obtaining and Analysing data were observed.

Chapter Four is next and presents the findings and other results of data obtained and Analysed from the scores, associated variables, perspectives of preparers, regulators, and analysts before Chapter Five on discussions.

4 CHAPTER FOUR FINDINGS AND RESULTS

4.1 Introduction

Chapter One discussed the introduction of the research, while Chapter Two provided the literature review. Chapter Three presented the research methodology. Chapter Four presents the findings and results as per the objectives of this research.

Chapter Four is organized as follows:

4.2 Companies analysed, annual reports and highlights of disclosures in companies' websites

4.3 IFRS, Sustainability and Corporate governance disclosures and associated company factors

4.4 Integrated reporting disclosures and associated company factors

4.5 Preparers', regulators' and users' perspectives of current reporting practices and integrated reporting; and

4.6 Summary of the chapter

4.2 Companies Analysed, Annual Reports and Disclosures in Companies Websites

4.2.1 Companies Analysed in the Study

The annual reports of some companies were not available and for some, information was not sufficient to award scores. These companies were therefore excluded from the study. Table 4.1 shows the summary of companies that were scored and categorized in sectors.

Table 4.1 Summary of NSE Listed Companies Awarded Scores

Sector	2010	2011	2012	2013	2014	2015	2016
Agriculture	3	3	3	3	3	2	2
Automobile	2	2	2	2	2	2	2
Banking	10	10	10	10	10	10	10
Commercial and Services	6	6	7	7	8	8	6
Construction and allied	5	5	5	5	5	5	5
Energy	4	4	5	5	5	5	5
Insurance	3	4	5	5	5	5	5
Investments	2	2	2	3	3	3	3
Manufacturing and allied	7	7	7	7	8	8	8
Telcom	1	1	1	1	1	1	1
Total Companies awarded scores	43	44	47	48	50	49	47
Number Excluded from Scores	12	14	14	13	16	15	18
Total Companies Listed	<u>55</u>	<u>58</u>	<u>61</u>	<u>61</u>	<u>66</u>	<u>64</u>	<u>65</u>
Percentage of companies scored %	<u>78.18</u>	<u>75.86</u>	<u>77.05</u>	<u>78.69</u>	<u>75.76</u>	<u>76.56</u>	<u>72.31</u>

Table 4.1 shows that over 70% of the listed companies were scored. The number of banks was the highest at 10 (but slightly less than 20% of those Analysed), while the telecom and technology sector was the least with one company.

4.2.2 Availability of Corporate Information from Companies' Websites

In early 2018, 84% of listed companies had websites, where the annual reports were also given. A detailed check was done to determine the number of years annual reports are available from 2016 and preceding years. The majority of the companies had not presented their annual report for the year 2017 at the time. Table 4.2 on page 139 presents a summary of the number of years of reports available.

Table 4.2 Number of Years of Annual Reports in the NSE Listed Companies' Websites

Number of Years of annual reports	% of Companies	Cumulative %
10 or more	42.00%	42.00%
9	6.00%	48.00%
8	6.00%	54.00%
7	6.00%	60.00%
6	8.00%	68.00%
5	14.00%	72.00%
4	2.00%	74.00%
3	6.00%	80.00%
2	4.00%	84.00%
1	6.00%	100.00

Table 4.2 shows that 72% of the companies have annual reports of over 5 years in the companies' websites, with a significant proportion having from 10 years or more.

More analysis was conducted to identify the non-financial information provided by the companies on their websites. Figure 4.1 provides a summary of the percentage of companies presenting non-financial information.

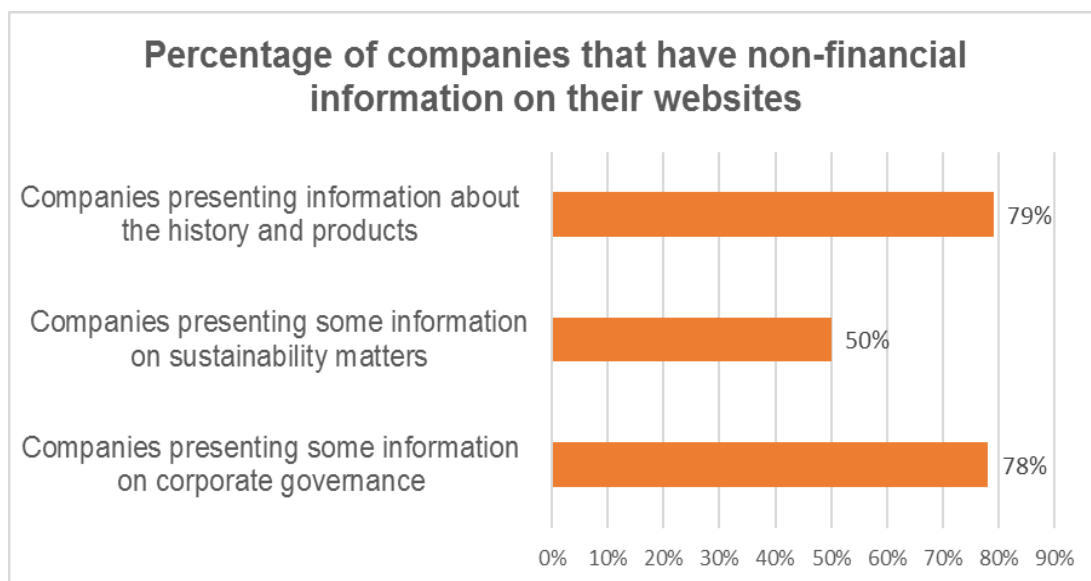


Figure 4.1 Type of Non-Financial Information in NSE Listed Companies' Websites

The percentages provided are based on companies that had a website at the time of analysis. Figure 4.1 highlights that the information on the history of the company and the company's products is popular, followed by corporate governance and some information on sustainability matters.

4.3 IFRS, Sustainability and Corporate Governance Disclosures

4.3.1 Descriptive Statistics

Table 4.3 provides a summary of the descriptive statistics for disclosures of IFRS, Sustainability, and Corporate Governance over the years:

Table 4.3 IFRS, Sustainability and Corporate Governance Summary Descriptive Statistics

IFRS Disclosures	2010	2011	2012	2013	2014	2015	2016
Mean	88.62%	89.01%	89.48%	89.29%	89.36%	89.82%	90.20%
Standard Deviation	4.76%	4.78%	4.70%	4.83%	4.61%	4.19%	4.10%
Median	88.66%	89.69%	90.28%	90.28%	90.22%	90.51%	90.75%
Minimum	76.69%	76.69%	76.78%	77.04%	76.78%	77.53%	77.90%
Maximum	95.53%	95.53%	95.53%	95.19%	95.19%	95.56%	95.93%
Normality KS*	0.200	0.174	0.096	0.032	0.200	0.200	0.085
Normality SW*	0.047	0.007	0.002	0.001	0.001	0.004	0.002
Sustainability Disclosures	2010	2011	2012	2013	2014	2015	2016
Mean	25.32%	26.14%	27.48%	31.10%	31.36%	30.84%	31.09%
Standard Deviation	12.52%	14.65%	15.45%	17.05%	17.00%	19.59%	19.69%
Median	25.00%	23.53%	23.53%	27.45%	27.45%	25.00%	25.00%
Minimum	3.90%	3.90%	5.88%	9.62%	9.62%	9.62%	9.62%
Maximum	57.69%	80.77%	80.77%	82.69%	84.62%	98.04%	98.04%
Normality KS	0.082	0.033	0.01	0.006	0.01	0.004	0.005
Normality SW	0.185	0.001	0.001	0.001	0.001	0	0
Corporate Governance	2010	2011	2012	2013	2014	2015	2016
Mean	73.72%	74.46%	75.56%	77.78%	78.67%	79.17%	81.56%
Standard Deviation	17.18%	17.43%	16.34%	16.22%	16.92%	19.12%	19.00%
Median	77.78%	77.78%	77.78%	77.78%	77.78%	77.79%	88.89%
Minimum	22.22%	22.22%	22.22%	22.22%	22.22%	22.22%	22.22%
Maximum	100.0%	100.0%	100.0%	100.0%	100.0%	100.00%	100.00%
Normality KS	0.006	0.008	0.001	0.001	0	0.001	0
Normality SW	0.014	0.014	0.006	0.001	0	0	0

*Only 2010 Scores for IFRS are normal. All the other disclosure scores are non-normal.

Table 4.3 shows that IFRS disclosure scores as given by means and medians for NSE listed companies to be high and growing. However, the growth rate is not substantial from one period to the next. The level of compliance is from 88.6% in 2010 to 90.10% in 2016, which represents only a 1.5% increase over the seven years. Accordingly, for non-normal scores, the Kruskal-Wallis test shows that IFRS disclosure scores across the years are not significantly different at 95% with a p-value of 0.72. The sustainability disclosure scores are low but on an upward trend. According to the Kruskal-Wallis test, the sustainability disclosure scores across the years are significantly different at 5% with an asymptotic display of 0.697 (Chi-square test at 3.851). Finally, Table 4.3 shows that corporate governance disclosure scores are high

and have improved from 73.72% in 2010 to 81.56% in 2016. According to the Kruskal-Wallis test, the corporate governance disclosure scores are high across the years but are not significantly different at 95% with the asymptotic display of 0.196 (Chi-square test at 3.851).

Table 4.4 provides a summary of the descriptive statistics by disclosures.

Table 4.4 IFRS, Sustainability and Corporate Governance Disclosures by Sector

IFRS Disclosures	2010	2011	2012	2013	2014	2015	2016	Average
	%	%	%	%	%	%	%	%
Agriculture	78.97	79.17	79.43	79.51	79.43	80.46	80.65	79.66
Automobile & Accessories	83.50	82.82	82.43	82.88	84.69	83.63	83.46	83.34
Banking	91.15	91.42	91.11	91.29	91.58	91.75	91.79	91.44
Commercial & Services	87.40	87.44	88.63	88.22	88.19	88.78	89.56	88.32
Construction & Allied	85.00	85.29	85.53	83.84	84.38	85.41	86.19	85.09
Energy & Petroleum	89.30	89.30	90.26	89.51	89.51	89.75	90.06	89.67
Insurance	94.28	93.11	93.47	93.46	93.46	93.68	93.89	93.62
Investments	90.50	91.83	91.89	91.89	90.39	90.77	91.56	91.26
Manufacturing & Allied	92.17	92.71	93.41	93.04	92.16	91.74	92.08	92.47
Telecom & Technology	93.41	93.02	92.64	92.72	93.80	93.80	93.70	93.30
Average for Year	88.57	88.61	88.88	88.64	88.76	88.98	89.29	88.82
Sustainability Disclosures	2010	2011	2012	2013	2014	2015	2016	Average
Agriculture	23.05	24.18	24.84	24.18	24.18	21.57	21.57	23.37
Automobile & Accessories	19.23	19.23	20.19	30.77	30.77	34.62	31.73	26.65
Banking	26.74	24.81	25.44	31.52	32.70	30.79	30.42	28.92
Commercial & Services	17.51	18.05	20.69	21.43	20.91	21.15	21.70	20.21
Construction & Allied	29.25	31.78	31.96	33.90	33.51	35.65	35.64	33.10
Energy & Petroleum	32.70	32.22	38.08	39.22	40.39	40.81	40.81	37.75
Insurance	21.15	21.15	21.15	23.56	24.04	24.04	24.04	22.73
Investments	7.84	17.65	22.71	25.33	19.96	21.27	21.27	19.43
Manufacturing & Allied	36.28	40.77	37.86	36.58	40.42	31.05	32.01	36.42
Telecom & Technology	17.60	17.60	17.60	70.59	70.59	98.04	98.04	55.72
Average for Year	23.14	24.74	26.05	33.71	33.75	35.90	35.72	30.43
Corporate Governance	2010	2011	2012	2013	2014	2015	2016	Average
Agriculture	81.48	81.48	81.48	81.48	81.48	77.78	77.78	80.42
Automobile & Accessories	66.67	66.67	66.67	66.67	72.22	83.33	83.33	72.22
Banking	80.25	80.25	79.01	80.00	84.44	85.56	85.56	82.15
Commercial & Services	71.76	71.76	77.78	77.78	81.95	83.34	85.72	78.58
Construction & Allied	73.33	75.56	75.56	75.56	77.78	82.22	82.22	77.46
Energy & Petroleum	66.68	66.68	73.33	73.33	73.33	73.33	77.78	72.07
Insurance	66.67	63.89	66.67	71.11	64.44	75.56	77.78	69.44
Investments	55.56	77.78	77.78	83.33	85.19	77.78	92.59	78.57
Manufacturing & Allied	73.33	73.33	72.22	80.95	80.95	68.25	71.43	74.35
Telecom & Technology	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Average for Year	73.57	75.74	77.05	79.02	80.18	80.72	83.42	78.53

Table 4.4 on page 141 shows that overall, IFRS disclosures by sector is high, with the insurance sector having the highest IFRS disclosure scores at 93.62%, followed by telecom (93.30%) and manufacturing (92.08%), while agriculture sector lags the other sectors (79.66%). The scores for the sectors are significantly different at 5% level using the independent samples Kruskal-Wallis test ($P=0.000$). Regarding sustainability disclosures, telecom (55.72%), energy and petroleum (37.75%) and manufacturing (36.42%) sectors are leading in that order. Investment sectors, commercial and services, and insurance are ranked last. The differences in the sector scores are significant as per the Kruskal-Wallis test with a $p=0.000$. Finally, for corporate governance telecom (100%), banking (82%) and agriculture sectors have the highest disclosures of corporate governance disclosures while insurance and energy and petroleum though high, are lagging the other sectors. The sectoral scores are significantly different as per the Kruskal-Wallis test with a $p=0.000$.

4.3.2 Other descriptive and Bivariate analysis

4.3.2.1 Descriptive statistics for scores and company variables and constructs

Table 4.5 on page 143 provides a summary of the descriptive statistics for disclosure scores, showing minimum, maximum, mean, and variation across all the variables, across individual companies and the years. The mean scores show that IFRS disclosure scores are the highest, followed by corporate governance, then integrated reporting disclosures, and lastly, sustainability scores. However, integrated reporting has the highest variation, followed by corporate governance, sustainability reporting, and then IFRS disclosures when we use the standard deviation. The variation between the companies is higher than that over time.

Table 4.5 Summary Descriptive Statistics for Disclosures Scores

Variable	Level	Mean	Std. Dev.	Minimum	Maximum
IFRS Disclosure Scores	Overall	89.41%	4.55%	76.69%	95.93%
	Between		4.53%	77.06%	95.34%
	Within		0.84%	86.74%	91.90%
Sustainability Disclosure Scores	Overall	29.18%	16.89%	3.90%	98.04%
	Between		14.88%	7.98%	79.95%
	Within		7.59%	-8.94%	71.50%
Corporate Governance Scores	Overall	77.34%	17.51%	22.22%	100.00%
	Between		15.48%	22.22%	100.00%
	Within		8.00%	39.25%	99.55%
Integrated Reporting Scores	Overall	66.66%	18.17%	6.52%	100.00%
	Between		16.01%	37.39%	99.69%
	Within		8.67%	16.35%	87.97%

For Observations: Overall (N = 318), Between (n=50) and Within (T-bar = 6.36)

Table 4.6 on page 144 shows the descriptive statistics for size and profitability variables. The figures for total assets, revenues, and market capitalization are in sh.000. Therefore, the largest company has total assets of \$5.95 billion with the smallest company having \$4.4 million. The average asset size for NSE listed companies is \$99 million. However, there is a significant variation in asset size across companies as compared to time. In terms of revenue, the highest revenue reported is \$2.2 billion and the lowest is \$3.1 million, with an average of \$35.7 million. The revenues vary across companies more than across time, as indicated by the standard deviation. The highest market capitalization is \$6.83 billion, with the lowest being \$51 million. The market capitalization varies more across companies compared to time, with an average of \$72.8 million.

Table 4.6 Summary Descriptive Statistics for Size and Profitability Variables

Variable	Level	Mean	Std. Dev.	Min	Max
Total Assets	Overall	66,800,000.00	99,200,000.00	4,479.00	595,000,000.00
	Between		91,500,000.00	4,479.00	426,000,000.00
	Within		35,600,000.00	108,000,000.00	240,000,000.00
Total Revenue	Overall	23,200,000.00	35,700,000.00	3,147.00	222,000,000.00
	Between		32,500,000.00	3,147.00	130,000,000.00
	Within		13,000,000.00	60,900,000.00	116,000,000.00
Market Cap.	Overall	32,600,000.00	72,800,000.00	51,967.56	683,000,000.00
	Between		61,500,000.00	51,967.56	371,000,000.00
	within		36,000,000.00	210,000,000.00	345,000,000.00
Profit After Tax	Overall	2,704,641.00	5,413,637.00	-26,200,000.00	38,100,000.00
	Between		4,575,184.00	-7,514,626.00	21,600,000.00
	Within		2,692,398.00	-16,000,000.00	19,200,000.00
Ret. on Equity	Overall	12.11%	48.42%	-418.20%	431.71%
	Between		64.91%	-413.45%	72.77%
	Within		34.17%	-312.24%	372.29%
Ret. on Assets	Overall	3.62%	22.90%	-330.10%	38.44%
	Between		48.10%	-330.10%	31.00%
	Within		10.00%	-140.29%	34.33%
Earnings Per Share	Overall	6.71	19.87	-138.05	160.32
	Between		9.96	-3.58	41.05
	Within		17.08	-172.39	125.98

For Observations: Overall (N = 318), Between (n=50) and Within (T-bar = 6.36)

In terms of profitability, the maximum Profit After Tax reported is \$38 million, with the lowest being a loss of \$26.2 million, with an average of \$5.4 million. Profits after tax also vary more across companies compared to time. On average, NSE listed companies promise Return on Equity, Return on Assets and Earnings Per Share of 12.11%, 3.62% and \$0.067 respectively if an investor is to invest in the same portfolio of the 50 Companies. However, Return on Equity has the highest variability overall, while Return on Equity and Return on Assets have the highest variation across companies as compared to time. Earnings Per Share is the only metric for profitability that seems to vary more across time as compared to companies.

Table 4.7 on page 145 shows the descriptive statistics for leverage and investor variables.

Table 4.7 Summary Descriptive Statistics for Leverage and Growth Opportunity Variables

Variable	Level	Mean	Std. Dev.	Min	Max
Debt to Assets	Overall	60.00%	28.00%	5.00%	331.00%
	Between		23.00%	15.00%	115.00%
	Within		16.00%	15.00%	276.00%
Dividend Yield	Overall	3.96%	7.20%	0.00%	88.24%
	Between		5.91%	0.00%	36.68%
	Within		5.30%	32.72%	55.51%
Dividends Paid	Overall	1,567,494.00	3,647,104.00	0	30,400,000.00
	Between		3,012,745.00	0	16,000,000.00
	Within		1,912,551.00	0	16,000,000.00
Cash Flow From Operations	Overall	3,560,871.00	9,572,991.00	-18,200,000.00	71,500,000.00
	Between		7,516,961.00	-3,656,845.00	42,000,000.00
	Within		5,669,757.00	-26,800,000.00	48,900,000.00
Price to Book Ratio	Overall	4.14	37.12	-2.06	658.36
	Between		13.35	0.32	94.05
	Within		34.43	-91.97	568.45
Price Earnings Ratio	Overall	38.19	264.50	-139.53	4,000.00
	Between		107.41	-42.81	563.41
	Within		241.01	-561.61	3,474.78

For Observations: Overall (N = 318), Between (n=50) and Within (T-bar = 6.36)

Table 4.7 shows that NSE listed companies also report higher levels of gearing, on average, 60% of the assets are financed by liabilities. The levels of gearing vary more across companies as compared to time. An interesting variable for leverage shows that one company has the highest gearing ratio of 331%. NSE listed companies also promise an average dividend yield of 3.96%, which also varies more across companies than time. The highest dividends paid amounted to \$30 million, with some companies also paying no dividends but an average of \$1.6 million. Dividend payments vary more across companies than time. In terms of cash flows from operations, the company with the highest amount generates \$71.5 million, but the company that spent the most reported a figure of \$18.2 million in cash outflows. Overall cash flow generated from operations appears to vary more across companies than over time. The company with the highest Price-to-Book Metric has 658.36, with the lowest having -2.06. Meanwhile, the average Price-to-Book Metric is 4.14, showing that, on the average majority of the companies' share price is not too far from the book values. The price to book-to-book metric also varies more across time than across companies. Finally, the price-earnings ratio is highest at 4,000 and lowest at 139, with an average of 38. This means that on average, investors are willing to pay \$38 for every \$1 of

profit. This metric varies more across time rather than companies, so share prices for NSE companies vary more over time as compared to across companies.

Table 4.8 provides a summary of various corporate governance variables.

Table 4.8 Summary Descriptive Statistics for Board Size, Board Composition, Age and Block Shareholding

Variable	Level	Mean	Std. Dev.	Min	Max
Board Size	Overall	9.08	2.53	4	23
	Between		2.35	4.71	15.43
	Within		1	6.48	18.5
Non- Executive Directors	Overall	5.62	2.17	1	11
	Between		2.08	1	9.57
	Within		0.76	2.19	8.05
No of Women on Board	Overall	1.77	1.44	0	9
	Between		1.34	0	4.71
	Within		0.56	0.06	6.06
Age	Overall	62.06	30.55	4	130
	Between		32.5	4	130
	Within		0	62.06	62.06
Block Shareholding	Overall	30.88%	17.43%	2.50%	73.89%
	Between		16.86%	3.57%	73.19%
	Within		3.60%	15.11%	51.85%

For Observations: Overall (N = 318), Between (n=50) and Within (T-bar = 6.36)

Table 4.8 shows that the average board size for NSE companies is 9, with about 6 Non-Executive directors and about 2 women on the board. Also, most of the companies are mature, with an average age of 62. The average concentrated shareholding is 31%. Notable observations from Table 5.48 is that the largest board has 23 directors, with more variation across time as compared to companies. Some boards operate with no women, and the most mature company has been in operation for 130 years. However, there is no variation in age across time, while the largest block shareholder owns 74% of a company, which varies substantially across companies and not time.

4.3.2.2 Correlation Analysis for Company Variables and Constructs

Table 4.9 provides a summary of the correlation of the variables with a 5% and 1 % significance level.

Table 4.9 Correlation Analysis for Disclosure Scores and Company Factors

	IR Scores	IFRS Scores	Sust. Scores	CGR Scores	Log of Assets	ROA	Debt/Asset	Div Yield	Log of Divs Paid	Board Size	Non Exec directors	No of wm on Board	Age	Block Share
IR Scores	1.000													
IFRS Scores	0.354**	1.000												
Sust. Scores	0.547**	0.204**	1.000											
CGR Scores	0.624**	0.046	0.467**	1.000										
Log of Assets	0.531**	0.425**	0.279**	0.297**	1.000									
ROA	0.013	0.019	0.146**	0.022	0.221**	1.000								
Debt/Asset	0.146**	0.326**	-0.048	0.007	0.419**	-0.304**	1.000							
Div Yield	0.042	-0.010	0.033	0.003	0.095	0.102	0.023	1.000						
Log Div Paid	0.242**	0.135*	0.263**	0.178**	0.421**	0.279**	-0.036	0.376**	1.000					
Board Size	0.488**	0.355**	0.382**	0.304**	0.549**	0.068	0.148**	-0.034	0.341**	1.000				
Non- Exec. dir	0.256**	0.167**	0.182**	0.262**	0.511**	0.047	0.210**	-0.016	0.273**	0.706**	1.000			
No. of wm-bd	0.356**	0.459**	0.393**	0.195**	0.301**	0.097	0.056	-0.005	0.137*	0.574**	0.259**	1.000		
Age	0.123*	0.209**	0.139*	0.100	0.141*	0.135*	0.031	-0.026	0.187**	0.075	0.030	0.104	1.000	
Block Share	-0.050	-0.159**	-0.093	0.184**	-0.0328	-0.010	-0.046	-0.058	-0.050	-0.090	0.006	-0.139*	0.172**	1.000

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 4.9 shows that apart from block shareholding and dividend yield, most of the other variables are positively correlated. Also, size seems to be the only variable that is positively and significantly correlated with most of the variables/constructs.

4.3.3 Multivariate and Econometric analysis of IFRS, Sustainability and Disclosures Scores with Associated Company Factors

4.3.3.1 IFRS Disclosure Scores and Relationship with Company Factors: Econometric Analysis

Introduction

Figure 4.2 provides a summary of the approach for this section. As provided in Chapter Three, the econometric analysis was preceded by the Principal Component Analysis (PCA), followed by the test of multicollinearity and tests of autocorrelation and heteroskedasticity, before using the econometric models for data analysis.

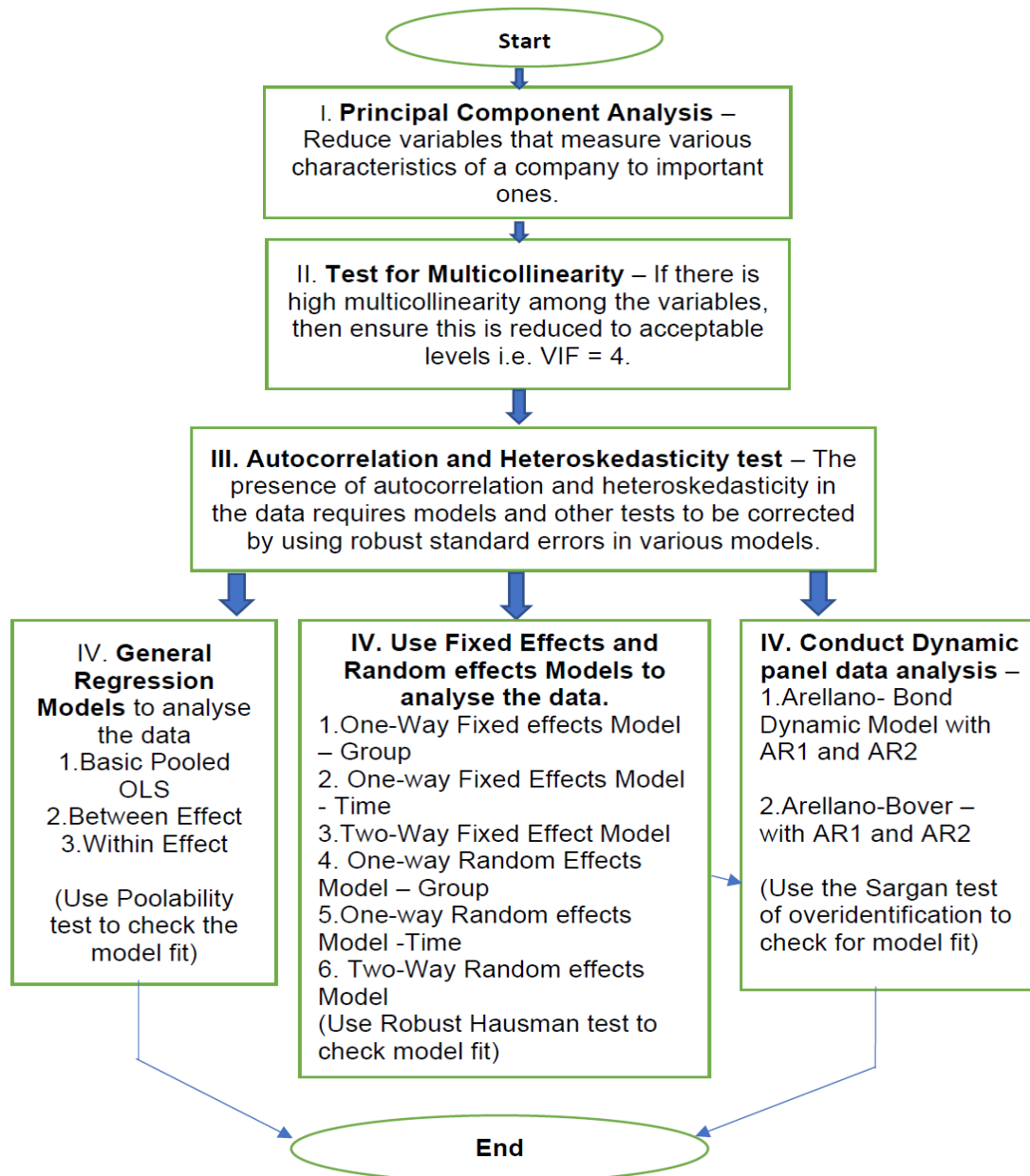


Figure 4.2 Flow Chart of Multivariate, Diagnostics and Econometric Analysis

NB: Steps I–III applied to the overall data, while Step IV was conducted on the IFRS disclosures first to establish the suitable econometric models for the data. Only the relevant models were used in Analysing sustainability, corporate governance, and integrated reporting disclosures.

Principal Component Analysis (PCA) to Determine Constructs for Company Variables

Variables of Size, Profitability, and Growth Values have several constructs, for which Principal Component Analysis (PCA) can be used to reduce to only the important ones. Jollif (2002), suggests the Kaiser–Meyer-Olkin (KMO) and Bartlett’s tests of sphericity to establish if PCA is appropriate for a given data set. For the current data, the results are presented in Table 4.10:

Table 4.10 KMO and Bartlett’s Tests for PCA Suitability

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.657
Bartlett's Test of Sphericity	Approx. Chi-Square	405.765
	df	3
	Sig.	0.000

Based on the KMO test of sphericity (a figure greater than 0.6) and Bartlett’s test (with a very high Chi-Square and lower P-value), the current data is suitable for PCA.

Table 4.11 presents a summary of the Eigenvalues and correlation matrix for the variables that measure size.

Table 4.11 Eigen Values and Correlation for Constructs that Measure Size

Size Variables	Eigen Value	Correlation		
		Log_Assets	Log_Market Capitalization	Log_Revenue
Log_Assets	0.6070	1.0000		
Log_Market Cap*	0.5096	0.5020	1.0000	
Log_Revenue	0.6092	0.7831	0.5084	1.0000

*Market Capitalization

According to Table 4.11, the relevant constructs to measure firm size based on ranking are Revenue, Total Assets and Market Capitalization. Revenue and Assets

are prioritized, but there is a high correlation between the two constructs. If these two are used, then there is potential for multicollinearity. A choice has to be made between Revenue and Total Assets with the aid of the multicollinearity test performed later after identifying constructs for Profitability and Growth opportunities.

Table 4.12 presents a summary of the Eigenvalues and correlation matrix for the constructs that measure profitability.

Table 4.12 Eigen Values and Correlation for Constructs that Measure Profitability

Profitability Variables	Eigen Value	Correlation			
		Log_PAT	ROE	ROA	EPS
Log_PAT*	0.3619	1.0000			
ROE**	0.5876	0.0462	1.0000		
ROA***	0.6727	0.2713	0.5282	1.0000	
EPS****	0.2668	0.1147	0.0675	0.1427	1.0000

*Profit After Tax, ** Return on Equity, *** Return on Assets, **** Earnings Per Share

Table 4.12 shows that Return on Assets (ROA) and Return on Equity (ROA) are better variables for measuring profitability. There is a high correlation between ROA and ROE. If the two constructs are used, then there is potential for multicollinearity. A choice is made between ROA and ROE with the aid of the multicollinearity test.

Table 4.13 provides a summary of the Eigenvalues and correlation for the constructs that measure growth opportunities/investor value.

Table 4.13 Eigen Values and Correlation for Constructs that Measure Growth Opportunities

Investor Variables	Eigen Value	Correlation				
		Div Yield	Log_Divs	Log_CFO	PBR	PER
Div Yield	0.6782	1.0000				
Log_Div*	0.7018	0.3757	1.0000			
Log_CFO**	0.0810	0.0037	0.0583	1.0000		
PBR***	-0.1951	-0.0287	-0.0819	0.0085	1.0000	
PER****	0.0541	-0.0218	0.0489	0.0117	-0.0039	1.0000

*Dividends Paid, ** Cash Flow From Operations, *** Price to Book Ratio, ****Price earnings Ratio

The Eigenvalues in Table 4.13 show that dividend yield and dividends paid are better measures of investor value/growth value. These two constructs are therefore

used in subsequent analysis. Table 4.14 provides a summary of the remaining variables and their constructs that were used to check for the non-numeric variables like the Type of Auditor and Type of Sector are excluded from the multicollinearity test.

Table 4.14 Variables and Constructs Remaining after Principal Component Analysis

Variable	Construct
Size	Total Assets Revenue
Profitability	Return on Equity (ROE) Return on Assets (ROA)
Type of Auditor	Dummy (Type of Auditor)
Sector	Dummy (Type of Sector)
Leverage	Debt/Total Assets
Investor Value	Dividend Yield Dividends Paid
Board Size	No of Directors
Board Composition	Proportion of number of Non-Executive directors to total directors Proportion of Number of women on board to total directors
Ownership	Dummy (Foreign = 1, Local = 0)
Age	No of years in Existence
Concentrated shareholding	Block Shareholding

Testing for Multicollinearity

The output from STATA presents the following Variance Inflation Factors (VIF) for the various variables/constructs as summarized in Table 4.15.

Table 4.15 Variance Inflation Factors and Tolerance Levels

Constructs	VIF	Tolerance Levels
Log_Assets	4.67	0.2141
Return on Equity	4.25	0.2352
Log_Revenue	3.50	0.2858
Board Size	3.38	0.2962
Proportion of Non- Executive Directors	2.37	0.4227
Proportion of Women on Board	1.78	0.5612
Debt to Assets	1.72	0.5831
Log of Dividends Paid	1.70	0.5898
IFRS Scores	1.68	0.5942
Sustainability Scores	1.64	0.6110
Corporate Governance Scores	1.53	0.6517
Return on Assets	1.42	0.7064
Dividend Yield	1.19	0.8421
Block Shareholding	1.18	0.8488
Age	1.16	0.8633
Mean VIF	2.23	

Table 4.15 presents the variance inflation factors (VIF) in descending order. As discussed in Chapter Three, a VIF of 4 and above indicates high levels of multicollinearity. Table 4.15 shows that the log of assets has a high correlation with the log of revenue. Obtaining the correlation between the log of assets and log of revenue provides us with 0.7831 which is significant at 5% and 1% levels. Given the empirical literature and considering that Total Assets provides a more robust measure of size as compared to revenue, revenue was excluded from the analysis. Also, ROE and ROA are likely to be correlated. The correlation between the two is 0.528, which is significant at 5%. Like in the case of Assets, Return on Assets is more robust, and hence Return on Equity is omitted from the subsequent analysis. Computing VIF again provides the following summary in Table 4.16.

Table 4.16 Revised Variance Inflation Factors and Tolerance Levels

Constructs	VIF	Tolerance Levels =1/VIF
Board Size	3.51	0.2850
Log of Assets	2.62	0.3822
Proportion of Non-Exec Directors	2.34	0.4268
Proportion of Women on board	1.89	0.5288
Debt to Assets	1.69	0.5933
Log of Dividends Paid	1.70	0.5893
IFRS Scores	1.59	0.6286
Sustainability Scores	1.60	0.6251
Corporate Governance Scores	1.48	0.6742
Return on Assets	1.41	0.7072
Dividend Yield	1.23	0.8162
Block Shareholding	1.14	0.8740
Age	1.12	0.8798
Mean VIF	1.68	

After Principal Component Analysis and multicollinearity tests, the remaining variables and their constructs are provided as follows: Size (Total Assets), Profitability (Return on Assets), Type of Auditor (Dummy construct for Type of Auditor), Sector (Dummy Construct for Type of Sector), Leverage (Debt ratio), Investor Value/growth opportunities (Dividend Yield and Dividend Paid), Board Size, Board Composition (Proportion of Non-executive Directors to Number of Directors and Proportion of Number of Women on Board to Total Number of Directors), Ownership (Dummy for Foreign or Local), Age and Concentrated Shareholding (Block Shareholding).

Testing for Autocorrelation and Heteroskedasticity

Wooldridge test for autocorrelation in panel data, with a null hypothesis of no first-order autocorrelation, reports an F statistic of 58.138 and a corresponding probability value of 0.0000. The null hypothesis of no autocorrelation is rejected at the 5% level of significance.

White's general test for heteroscedasticity (White, 1980) Chi-square test of 190.8 with a null hypothesis of heteroscedasticity shows a 5% level of significance. This test confirms that heteroscedasticity exists in the data. Therefore, robust standard errors were used to correct for autocorrelation and heteroscedasticity in the relevant econometric models.

4.3.3.1.1 IFRS Disclosure Scores and the Associated Company Factors: Pooled OLS Econometric Models

Table 4.17 on page 154 provides a summary of the Pooled OLS, Group, and Time effects for the IFRS Disclosures Scores and the Associated Company Factors. Table 4.17 shows that size, sector, and age have a positive significant relationship with IFRS scores, while profitability, ownership, and block shareholding are negative and significant given the Pooled OLS. The between-group effect has no significant variable while time effects report the same variables as Pooled OLS. Within effects also shows that there is no significant relationship between time and IFRS scores in any of the years.

Table 4.17 IFRS Disclosure Scores and Associated Company Factors Pooled OLS Summary Results

Variable	Pooled OLS	Between - Group	Between - Time
No. of observations	318	318	318
F	.	3.71	.
P> F	.	0.0012	.
R Squared	0.7766	0.765	0.7785
Root Mean Squared	0.02246	N/A	0.0226
IFRS Scores with:	Coeff.(Prob P>z)	Coeff.(Prob P>z)	Coeff.(Prob P>z)
Log of Total Assets	0.0110(0.005*)	0.0119(0.479)	0.0107(0.006*)
Return on Assets	-0.0355(0.025*)	-0.0792(0.432)	-0.0336(0.043)
Audit Code 2	-0.0009(0.802)	-0.0027(0.837)	-0.0009(0.822)
Audit Code 3	0.0019(0.721)	0.0011(0.957)	0.0020(0.717)
Audit Code 4	0.0013(0.817)	0.0011(0.953)	0.0011(0.848)
Audit Code 5	-0.0079(0.417)	-0.0159(0.589)	-0.0081(0.414)
Audit Code 6	0.0076(0.326)	-0.0054(0.903)	0.0090(0.260)
Audit Code 7	-0.0108(0.102)	-0.0236(0.632)	-0.0095(0.297)
Audit Code 8	-0.104(0.058*)	-0.2530(0.476)	-0.0989(0.082)
Sec- Agriculture	-0.0421(0.000*)	-0.0395(0.175)	-0.0421(0.000*)
Sec- Banking	0.0603(0.000*)	0.0653(0.066)	0.0607(0.000*)
Sec -Commercial & Services	0.0497(0.000*)	0.0499(0.066)	0.0499(0.000*)
Sec-Construction & Allied	0.0037(0.684)	0.0044(0.880)	0.0040(0.665)
Sec -Energy & Petroleum	0.0500(0.000*)	0.0503(0.129)	0.0503(0.000*)
Sec-Insurance	0.0961(0.000*)	0.0965(0.007*)	0.0961(0.000*)
Sec-Investments	0.0772(0.000*)	0.0716(0.101)	0.0779(0.000*)
Sec-Manufacturing & Allied	0.0795(0.000*)	0.0861(0.017*)	0.0793(0.000*)
Sec -Telecom and Technology	0.0931(0.000*)	0.08936(0.063)	0.0938(0.000*)
Debt to Assets	-0.0114(0.242)	-0.0200(0.650)	-0.0110(0.267)
Dividend Yield	-0.0213(0.093)	-0.0568(0.627)	-0.0230(0.071)
Log of Dividends Paid	0.0000(0.885)	0.0003(0.916)	0.0001(0.792)
Board Size	-0.0001(0.934)	-0.0001(0.963)	-0.0005(0.943)
Prop. Non- Executive Directors	0.0001(0.778)	-0.0059(0.893)	0.0036(0.753)
Prop. No of Women on Board	-0.0053(0.713)	-0.0018(0.975)	-0.0066(0.657)
Ownership Foreign	-0.0099(0.003*)	-0.0097(0.420)	-0.0099(0.004*)
Age	0.0003(0.000*)	0.0003(0.154)	0.0003(0.000*)
Block Shareholding	-0.0347(0.002*)	-0.0331(0.376)	-0.0349(0.002*)
Year 2011			0.0012(0.815)
Year 2012			0.0061(0.220)
Year 2013			0.0020(0.693)
Year 2014			0.0027(0.594)
Year 2015			0.0033(0.511)
Year 2016			0.0054(0.274)
Constant	0.7644(0.000*)	0.7717(0.000*)	0.7627(0.000*)

The parenthesis shows the p values (Where relevant *significance at 0.05 level).

To establish whether Pooled OLS is suitable to Analyse the data, the Chow test of poolability was conducted. Table 4.18 provides a summary of the results.

Table 4.18 Summary of Poolability Test for IFRS Disclosure Scores

	Total	Group 1	Group 2
Number of Companies	50	25	25
No of Observations	318	156	162
SSR	0.146306968	0.036771985	0.06077662
k	30	30	30
F Chow	0.048758364	30	0.00162528
	0.097548604	258	0.0003781
F=			4.29859489
F (30,258)			<1.67

At 5% significance level, H_0 is rejected, therefore Pooled OLS is not appropriate

The Chow Test of Poolability from Table 4.18 highlights that Pooled OLS is not appropriate for this data. This implies that static panel data models of either fixed effects or random effects are suitable. For the rest of the disclosures therefore, Pooled OLS models will not be used.

4.3.3.1.2 IFRS Disclosure Scores: Static Panel Data Models of Fixed Effects and Random Effects Models

Table 4.19 on page 156 provides a summary of the one-way fixed-effect models (Group and Time) and two-way fixed effects models for IFRS disclosure scores and associated company factors.

Table 4.19 IFRS Disclosure Scores and Associated Company Factors Fixed Effects Model Results

Variable	Fixed effects – Group (LSDV)	Fixed Effects - Time	Fixed Effects - Two way
No of observations	318	318	318
No of groups		50	50
R ² - Within	N/A	0.1529	0.0350
R ² - Between	0.0057	0.2862	0.1124
R ² - Overall	N/A	0.1948	0.0915
R ²	0.9668		
F/Chi	1.60	8.62	0.96
P>F/Chi	0.0839	0	0.4837
Sigma_u	N/A	0.0495	0.0471
Sigma_e	N/A	0.0087	0.0092
Rho	N/A	0.9702	0.9637
IFRS Disclosure Scores with...	Coeff.(prob)	Coeff.(prob)	Coeff.(Prob)
Log-Assets	0.0007(0.806)	-0.0052(0.194)	0.0007(0.834)
Return on Assets	-0.0072(0.437)	0.0002(0.978)	-0.0072(0.365)
Auditor	Omitted	Omitted	Omitted
Sector	Omitted	Omitted	Omitted
Debt to Asset Ratio	-0.0004(0.943)	0.0010(0.864)	-0.0004(0.944)
Dividend Yield	0.0096(0.227)	0.0026(0.724)	0.0095(0.359)
Log of Dividends Paid	-0.0003(0.037*)	-0.0002(0.324)	-0.0003(0.048*)
Board Size	0.0009(0.842)	-0.0005(0.330)	0.0009(0.855)
Prop. of Non-Executive Directors	-0.0029(0.777)	-0.0006(0.953)	-0.00293(0.797)
Prop. No. of Women on Board	-0.0130(0.184)	-0.0020(0.165)	-0.01299(0.340)
Ownership - Foreign	Omitted	Omitted	Omitted
Age	Omitted	Omitted	Omitted
Concentrated Shareholding	0.01246(0.232)	0.0046(0.763)	0.0125(0.347)
Year 2011		0.0027(0.020*)	
Year 2012		0.0075(0.001*)	
Year 2013		0.0032(0.240)	
Year 2014		0.0058(0.040*)	
Year 2015		0.0079(0.013*)	
Year 2016		0.0100(0.001*)	
Constant	0.934(0.000)	0.8752(0.000)	0.8932(0.000)

The parenthesis shows Probability (*with a 0.05 significant level).

From the fixed-effects models in Table 4.19, only dividends paid is significant as per the group and two-way effects. The results show that IFRS disclosures for all the years were significant except for the year 2013.

Table 4.20 on page 157 summarizes the results of random-effects models.

Table 4.20 IFRS Disclosure Scores and Associated Company factors Random Effects Summary Results

Variables	Random Effects One Way -Group	Random Effects One Way -Time	Random Effects - Two Way
Number of Observations	318	318	318
No of Groups	50	7	50
F test	.	.	.
Prob > F	.	.	.
R-Squared: Within	0.0335	0.7764	0.7664
R- Squared: Between	0.7898	0.8584	0.8654
R- Squared: Overall	0.7497	0.7766	0.7668
Sigma_u	0.0284	0	
Sigma_e	0.0092	0.2260	
Rho/ Root MSE	Rho=0.9059	Rho=0	
IFRS Disclosure Scores with...	Coeff.(Prob)	Coeff.(Prob)	Coeff.(Prob)
Log of Assets	0.0015 (0.679)	0.0110(0.000*)	0.0110(0.001*)
Return on Assets	-0.0086 (0.267)	-0.0355(0.056)	-0.0355(0.027*)
Auditor 2	-0.0030 (0.747)	-0.0009(0.698)	-0.0009(0.790)
Auditor 3	-0.0005 (0.967)	0.0019(0.417)	0.0019(0.710)
Auditor 4	0.0013 (0.925)	0.0013(0.742)	0.0012(0.820)
Auditor 5	-0.0279 (0.037)	-0.0080(0.170)	-0.0079(0.322)
Auditor 6	0.0011 (0.392)	0.0075(0.043)	0.0076(0.490)
Auditor 7	-0.0162 (0.210)	-0.0108(0.172)	-0.0108(0.358)
Auditor 8	-0.0329 (0.369)	-0.0104(0.138)	-0.1044(0.088)
Sec- Agriculture	-0.0340 (0.086)	-0.0421(0.000*)	-0.0422(0.000*)
Sec- Banking	0.0789(0.000*)	0.0603(0.000*)	0.0603(0.000*)
Sec -Commercial & Services	0.5179(0.004*)	0.0498(0.000*)	0.0498(0.000*)
Sec-Construction & Allied	0.0185 (0.398)	0.0037(0.186)	0.0037(0.645)
Sec -Energy & Petroleum	0.0189(0.000*)	0.0500(0.000*)	0.0500(0.000*)
Sec-Insurance	0.0657(0.000*)	0.0961(0.000*)	0.0961(0.000*)
Sec-Investments	0.1102(0.000*)	0.0772(0.000*)	0.0772(0.000*)
Sec-Manufacturing & Allied	0.0925(0.000*)	0.0796(0.000*)	0.0796(0.000*)
Sec -Telecom and Technology	0.1272(0.000*)	0.0931(0.000*)	0.0931(0.000*)
Debt to Asset Ratio	-0.0009 (0.920)	-0.0011(0.313)	-0.0114(0.208)
Dividend Yield	0.0088 (0.414)	-0.0021(0.051)	-0.0213(0.294)
Log of Dividends Paid	-0.0003 (0.055)	0.0005(0.887)	0.0005(0.873)
Board Size	-0.0003 (0.458)	-0.0006(0.913)	-0.0006(0.931)
Prop. Non-Executive Directors	-0.0017 (0.504)	-0.0032(0.653)	0.0032(0.750)
Prop. No. of Women on Board	-0.0015 (0.304)	-0.0532(0.602)	0.0053(0.701)
Ownership - Foreign	-0.0140 (0.067)	-0.0099(0.000*)	-0.0099(0.003*)
Age	0.0003(0.008*)	0.0003(0.000*)	0.0003(0.000*)
Block shareholding	0.0046 (0.523)	0.0034(0.000*)	-0.0347(0.000*)
Constant	0.8122(0.000)	0.7644(0.000*)	0.7645(0.000*)

According to Table 4.20, there is a positive and significant relationship between IFRS disclosure scores, and size given by the one-way random effects – time, and two-way random effects – sectors, and age of a company. Meanwhile, a negative and significant relationship exists between IFRS disclosure scores and foreign ownership and block shareholding.

Even though the robust Hausman test model suggests Fixed Effects (with the output from Stata reporting a Chi-square value of 32.799, with a p-value of 0.0008), the preferred model for analysis used was the random-effects model. This is because the random-effects models provide more information on time-invariant

variables/constructs such as sectors that were omitted from the fixed-effects model. Also, the random effects models show that the results are significant based on R^2 and model fit as given by the Breusch-Pagan Lagrange Multiplier test reports a Chi^2 of 560.13 with a probability of 0.000. Despite this decision, the results given from the fixed effects models are important for comparing the results with random-effects models for IFRS disclosures scores and the associated company factors.

4.3.3.1.3 IFRS Disclosure Scores: Dynamic Panel Data Econometric Models

The relevant dynamic models used here are the Arellano and Bond (1991) Generalized Methods of Moments (GMM) estimator with 1 lag and 2 lags and Arellano and Boover Estimator (1995) with both 1 lag and 2 lags. As provided in Chapter Three, the purpose of dynamic models in this study was to identify the relationship between current period disclosure scores and previous period disclosure scores and variables/constructs.

Table 4.21, on page 159 provides a summary of the Arellano-Bond GMM Estimators with AR 1 and AR 2. According to the Arellano-Bond dynamic panel data estimator, only size and age seem to have a dynamic relationship with IFRS disclosure scores (1 Lag for Size and both lags for Age). However, the Arellano-Bover reports that IFRS scores are dynamic i.e. IFRS disclosure scores, for example, for 2016 have a significant and positive relationship with the IFRS scores of 2015 and 2014. However, the Sargan test of identification shows that the Arellano-Bond for 1 lag is most suitable. Therefore, size and age are the only variables that are dynamic with IFRS Disclosure scores.

**Table 4.21 IFRS Disclosure Scores and Associated Company Factors Dynamic Models
Summary Results**

Variables	Arellano-Bond Estimator		Arellano-Bover Estimator	
	1 Lag	2 Lags	1 Lag	2 Lags
No of Observations	219	170	268	219
No of groups	49	47	49	49
Chi ²	488.09	155.6	102.92	104.57
P>/Chi ²	0	0	0	0
IFRS Scores	Coeff. (prob)	Coeff. (Prob)	Coeff. (Prob)	Coeff. (prob)
Lag 1	0.1941(0.478)	-0.2719(0.307)	0.8268(0.000*)	0.7698(0.000*)
Lag 2	N/A	-0.1467(0.093)	N/A	0.0623(0.345)
Log of Assets	0.0042(0.025*)	0.0028(0.189)	0.0018(0.576)	0.0019(0.576)
Return on Assets	-0.0040(0.609)	-0.0030(0.684)	-0.0070(0.606)	-0.0050(0.750)
Auditor	Omitted	Omitted	Omitted	Omitted
Sector	Omitted	Omitted	Omitted	Omitted
Debt to Assets	-0.0024(0.604)	0.0003(0.946)	-0.0069(0.446)	-0.0050(0.638)
Dividend Yield	0.0009(0.907)	0.0412(0.002*)	-0.0012(0.932)	0.0232(0.449)
Log of Dividends	-0.0003(0.111)	-0.0004(0.006*)	-0.0009(0.670)	-0.0003(0.302)
Board Size	0.0006(0.174)	0.0005(0.207)	0.0011(0.145)	0.0007(0.391)
Prop. Non Exec Dir	-0.0044(0.591)	-0.0107(0.246)	0.0057(0.575)	0.0018(0.884)
Prop. of Wom-Board	-0.0210(0.161)	-0.0109(0.535)	-0.0099(0.507)	-0.0014(0.934)
Foreign Ownership	Omitted	Omitted	Omitted	Omitted
Age	0.0111(0.007*)	0.0199(0.000*)	-0.0011(0.530)	-0.0001(0.536)
Block Shareholding	-0.0015(0.888)	0.0096(0.382)	-0.0103(0.630)	0.0032(0.891)
Constant	Omitted	Omitted	0.1470(0.157)	0.1437(0.215)
Sargan Test				
Chi 2	24.6	16.62	25.43	21.34
Prob> Chi 2	0.03	0.10	0.10	0.21

Based on the econometric model's results for IFRS, the rest of the sections will present the results for Random Effects Models and Dynamic Panel Data Econometric Models and where relevant, the diagnostic tests to explain the model suitability.

4.3.3.2 Sustainability Disclosure Scores and the Relationship with the Associated Company Factors

4.3.3.2.1 Sustainability Disclosure Scores: Static Econometric Models of Random Effects

Table 4.22 on page 160 provides a summary of the Random Effects Econometric Models for sustainability disclosures.

**Table 4.22 Sustainability Disclosure Scores and Associated Company Factors Summary
Random Effects Models Results**

Variables	Random Effects- One Way (Group)	Random Effects- One Way (Time)	Random Effects- Two way
Number of Observations	318	318	318
Number of Groups	50	7	
F test	.	.	613.52
Prob > F	.	.	0.000
R-Squared: Within	0.1149	0.4829	
R- Squared: Between	0.5421	0.0461	
R- Squared: Overall	0.4610	0.4744	
Sigma_u	0.13823	0	
Sigma_e	0.07898	0.1272	
Rho/ Root MSE	0.75388	0	0.1225
Sustainability Scores with...	Coeff. (Prob)	Coeff. (Prob)	Coeff. (Prob)
Log of Assets	0.0654(0.054)	0.0492(0.002*)	0.0492 (0.013*)
Return on Assets	0.1318(0.098)	0.2386(0.070)	0.2386(0.009*)
Auditor 2	0.0393(0.342)	0.0577(0.000*)	0.0577(0.004*)
Auditor 3	-0.0212(0.668)	-0.0033(0.890)	-0.0033 (0.910)
Auditor 4	-0.0028(0.957)	-0.0016(0.923)	-0.0156(0.960)
Auditor 5	0.0616(0.374)	0.0882(0.004*)	0.0882 (0.055)
Auditor 6	-0.0156(0.779)	-0.0019(0.974)	-0.0018(0.976)
Auditor 7	-0.0382(0.614)	-0.0508(0.190)	-0.0508 (0.450)
Auditor 8	0.6718(0.053)	1.0039(0.034)	1.0038(0.004*)
Sec- Agriculture	-0.0225(0.664)	-0.0312(0.160)	-0.0312(0.492)
Sec- Banking	-0.1457(0.055)	-0.1369(0.011*)	-0.1369(0.006*)
Sec -Commercial & Services	-0.0964(0.077)	-0.1039(0.000*)	-0.1039(0.012*)
Sec-Construction & Allied	0.0609(0.464)	0.0595(0.001*)	0.0595(0.195)
0Sec -Energy & Petroleum	0.0463(0.613)	0.0374(0.338)	0.0374(0.455)
Sec-Insurance	-0.1980(0.001*)	-0.1978(0.000*)	-0.1978(0.000*)
Sec-Investments	-0.0853(0.299)	-0.0846(0.069)	-0.0846(0.143)
Sec-Manufacturing & Allied	0.0658(0.392)	0.0589(0.041*)	0.0589(0.247)
Sec -Telecom and Technology	0.0406(0.701)	0.0357(0.735)	0.0357(0.630)
Debt to Asset Ratio	0.0909(0.064)	0.0992(0.070)	0.0992(0.056)
Dividend Yield	-0.1379(0.051)	-0.1499(0.264)	-0.1499(0.196)
Log of Dividends Paid	0.0014(0.303)	0.0002(0.916)	0.0002(0.929)
Board Size	0.0179(0.089)	0.0219(0.000*)	0.0219(0.000*)
Prop. Non-Executive Directors	0.0053(0.422)	0.0081(0.002*)	0.0814(0.160)
Prop. of Women on Board	0.08415(0.250)	0.0139(0.036*)	0.1391(0.079)
Ownership - Foreign	0.1026(0.001*)	0.1050(0.000*)	0.1049(0.000*)
Age	-0.0003(0.670)	-0.0001(0.745)	0.0001(0.743)
Block shareholding	0.1467(0.148)	0.1321(0.000*)	0.1321(0.018)
Constant	-0.4948(0.060)	-0.4528(0.000*)	-0.4528(0.00*1)

The two-way random effects model from Table 4.22 reports that size, the board size, and proportion of women on board, foreign ownership, and block shareholding have a positive and significant relationship with sustainability scores. One-way model-time reports that the sector has a negative and positive relationship with sustainability scores.

The robust Hausman model output from STATA reports a Chi² value of 6.456, with a p-value of 0.681. The test reveals that the random-effects model is appropriate for the current panel data. Besides, the random effects models show that the results are significant based on R² and model fit as given by the Breusch-Pagan Lagrange Multiplier reports a Chi² of 298.5 with a probability of 0.000.

4.3.3.2 Sustainability Disclosure Scores: Dynamic Econometric Models

Table 4.23 Sustainability Disclosure Scores and Associated Company Factors Dynamic Models Summary Results

Variables	Arellano-Bond Estimator		Arellano-Bover Estimator	
	1 Lag	2 Lags	1 Lag	2 Lags
No of Observations	219	170	268	219
No of groups	49	47	49	49
Chi ²	918.84	738.01	302.01	247.17
P>/Chi ²	0.000	0.000	0.000	0.000
Sustainability Disclosure Scores with:	Coeff.(prob)	Coeff.(Prob)	Coeff.(Prob)	Coeff.(prob)
Lag 1	0.6031(0.000*)	0.3406(0.050)	0.9367(0.000*)	0.9430(0.000*)
Lag 2	N/A	0.0698(0.755)	N/A	-0.0700(0.455)
Log of Assets	0.0351(0.000*)	0.0319(0.000*)	0.0387(0.081)	0.0387(0.111)
Return on Assets	0.0679(0.200)	0.0203(0.648)	0.1252(0.159)	0.1417(0.201)
Auditor	Omitted	Omitted	Omitted	Omitted
Sector	Omitted	Omitted	Omitted	Omitted
Debt to Assets	0.0166(0.571)	-0.0028(0.899)	0.0337(0.551)	0.0046(0.512)
Dividend Yield	-0.2273(0.021)	-0.0253(0.767)	-0.377(0.000*)	-0.0279(0.895)
Log of Dividends	-0.0002(0.777)	-0.0004(0.711)	-0.0011(0.448)	-0.0006(0.741)
Board Size	-0.0086(0.010)	-0.0038(0.050)	-0.0081(0.066)	-0.0063(0.206)
Prop. Non-Exec. Directors	0.0090(0.795)	-0.0074(0.895)	0.0509(0.452)	0.0099(0.270)
Prop. No. Women on Board	0.00833(0.252)	0.0479(0.661)	0.0890(0.037)	0.139(0.252)
Foreign Ownership	Omitted	Omitted	Omitted	Omitted
Age	-0.001(0.450)	-0.0000(0.987)	0.0021(0.226)	0.00178(0.336)
Block Shareholding	-0.0506(0.258)	-0.0476(0.251)	-0.0413(0.729)	-0.0677(0.603)
Constant	Omitted	Omitted	-0.3952(0.060)	-0.4306(0.061)
Sargan Test				
Chi2	15.62	26.53	25.42	28.91
Prob > Chi2	0.19	0.00	0.06	0.01

According to Table 4.23, the Arellano-Bover Model reports that the sustainability disclosure score for the current period is positively related to

sustainability scores for the subsequent period. The Arellano-bond Model reports that size for the current period is also positively related to sustainability disclosures for the subsequent period. The Sargan tests show that with 2 lags of Arellano-Bond and Arellano-Bover models, with both lags fit the data well. In summary, Sustainability Disclosures Scores are dynamic at both 1 and 2 lags.

4.3.3.3 Corporate Governance Disclosure Scores and Relationship with Associated Company Factors

4.3.3.3.1 Static Panel Data Models: Random Effects Models for Corporate Governance Disclosure scores

Table 4.24 on page 163 summarizes the results from the Random Effects model. Table 4.24 shows that size, the board size, foreign ownership, and concentrated shareholding have a positive and significant relationship with corporate governance disclosure scores, while profitability reports a negative and significant relationship with corporate governance scores.

The robust Hausman test model output from Stata reported a Chi^2 value of 12.871, with a p-value of 0.1164. The test reveals that the random-effects model is more appropriate for the current panel data. Besides, the random effects models show that the results are significant based on R^2 and model fit as given by the Lagrange Breusch-Pagan Multiplier reports a Chi^2 of 284.57 with a probability of 0.000.

**Table 4.24 Corporate Governance Disclosure Scores and Associated Company Factors
Random Effects Models Summary Results**

Variables	Random Effects One Way- Group	Random Effects One way- Time	Random Effects Two way
Number of Observations	318	318	318
Number of Groups	50	7	50
F test	.	.	232.97
Prob > F	.	.	0.000
R-Squared			
R-Squared: Within	0.1015	0.4229	
R- Squared: Between	0.4325	0.5965	
R- Squared: Overall	0.3618	0.4228	
Sigma_u	0.1442	0	
Sigma_e	0.0837	0.1394	
Rho/ Root MSE	0.7478	0	0.1222
Corp. Gov. Discl. Scores with...	Coeff.(Prob)	Coeff.(Prob)	Coeff.(Prob)
Log of Assets	0.0769(0.126)	0.1176(0.000*)	0.1176(0.000*)
Return on Assets	0.1225(0.172)	-0.2207(0.006*)	-0.2207(0.027*)
Auditor 2	0.0278(0.541)	0.0415(0.001*)	0.0415(0.059*)
Auditor 3	-0.0672(0.277)	-0.0513(0.003*)	-0.0512(109)
Auditor 4	0.0357(0.568)	0.0298(0.059)	0.0298(0.385)
Auditor 5	-0.0341(0.744)	0.0660(0.106)	0.0660(0.185)
Auditor 6	-0.1468(0.090)	-0.2370(0.055)	-0.2370(0.000*)
Auditor 7	-0.0017(0.986)	-0.0476(0.243)	-0.0476(0.514)
Auditor 8	0.5542(0.140)	-0.5277(0.097)	-0.5277(0.163)
Sec- Agriculture	0.1439(0.120)	0.1010(0.019*)	0.1009(0.040*)
Sec- Banking	-0.0039(0.967)	-0.0328(0.598)	-0.0328(0.547)
Sec -Commercial & Services	0.0660(0.443)	0.0505(0.038*)	0.0505(0.261)
Sec-Construction & Allied	0.1051(0.126)	0.0826(0.026*)	0.0826(0.097*)
Sec -Energy & Petroleum	-0.0175(0.902)	-0.0506(0.286)	-0.0506(0.351)
Sec-Insurance	-0.1340(0.123)	-0.1521(0.001*)	-0.1521(0.005*)
Sec-Investments	0.1229(0.325)	0.0319(0.586)	0.0319(0.610)
Sec-Manufacturing & Allied	0.0805(0.328)	0.0853(0.017*)	0.0853(0.122)
Sec -Telecom and Technology	0.2167(0.066)	0.0815(0.201)	0.0815(0.311)
Debt to Asset Ratio	0.0992(0.071)	-0.0691(0.090)	-0.0691(0.219)
Dividend Yield	0.0613(0.260)	-0.1340(0.048*)	-0.1340(0.287)
Log of Dividends Paid	-0.0022(0.169)	-0.0013(0.591)	-0.0013(0.497)
Board Size	0.0097(0.047)	0.0132(0.000*)	0.0132(0.002*)
Prop. Non-Executive Directors	-0.0918(0.190)	-0.0229(0.659)	-0.0023(0.716)
Prop. No. of Women on Board	-0.0923(0.349)	0.0409(0.259)	0.0409(0.634)
Ownership - Foreign	0.0902(0.024*)	0.1097(0.000*)	0.1097(0.000*)
Age	0.0000(0.975)	-0.0003(0.401)	-0.0002(0.471)
Block shareholding	0.3544(0.001*)	0.2618(0.000*)	0.2618(0.000*)
Constant	-0.0257(0.936)	-0.2512(0.101)	-0.2512(0.084)

4.3.3.3.2 Corporate Governance Disclosure Scores: Dynamic Panel Data Econometric Models

Table 4.25 presents a summary of the dynamic panel data econometric models of Arellano-bond and Arellano-Bover.

Table 4.25 Corporate Governance Disclosures Scores and Associated Company Factors Dynamic Models Summary Results

Variables	Arellano-Bond Estimator		Arellano-Bover Estimator	
	1 Lag	2 Lags	1 Lag	2 Lags
No of Observations	219	170	268	219
No of groups	49	47	49	49
Chi ²	617.31	379.94	91.8	94.56
P>/Chi ²	0.000	0.000	0.000	0.000
Corp. Gov. Discl. Scores with	Coeff. (prob)	Coeff. (Prob)	Coeff. (Prob)	Coeff. (prob)
Lag 1	0.3579(0.237)	0.3787(0.245)	0.6655(0.000*)	0.6768(0.000*)
Lag 2	N/A	-0.0842(0.511)	N/A	-0.0849(0.384)
Log of Assets	0.0019(0.953)	-0.0145(0.507)	-0.0121(0.662)	-0.0209(0.452)
Return on Assets	-0.0058(0.951)	-0.0104(0.907)	0.8213(0.428)	-0.0619(0.584)
Auditor	Omitted	Omitted	Omitted	Omitted
Sector	Omitted	Omitted	Omitted	Omitted
Debt to Assets	-0.0319(0.692)	-0.0326(0.620)	-0.0057(0.931)	-0.0024(0.974)
Dividend Yield	0.1282(0.021*)	0.1882(0.243)	0.1145(0.307)	0.0504(0.807)
Log of Dividends	-0.0054(0.002*)	-0.0064(0.004*)	-0.0049(0.008*)	-0.0055(0.005*)
Board Size	0.0004(0.931)	-0.0000(0.998)	-0.0013(0.816)	0.0006(0.911)
Prop. Non-Executive Directors	0.0035(0.591)	0.0079(0.924)	0.0591(0.489)	0.0526(0.615)
Prop. No. of Women on Board	0.1402(0.181)	0.2078(0.152)	0.0857(0.417)	0.1073(0.375)
Foreign Ownership	Omitted	Omitted	Omitted	Omitted
Age	0.0076(0.059*)	0.0105(0.005*)	0.0014(0.403)	0.0006(0.742)
Block Shareholding	0.1166(0.316)	0.1626(0.210)	0.1935(0.183)	0.2043(0.165)
Constant	Omitted	Omitted	0.1954(0.402)	0.3809(0.156)
Sargan Test				
Chi 2	39.25	21.63	37.49	21.81
Prob> Chi 2	0.00	0.02	0.00	0.14

Table 4.25 reports that there is a positive relationship between current and previous period corporate governance disclosures (and also 2 years) as per the Arellano-Bover dynamic panel data. Also, the Arellano-Bond dynamic panel data model reports a significant and positive relationship between current corporate reporting disclosure scores and prior period dividend yield and age. However, all the models report that there is a negative and significant relationship between dividends paid and corporate governance scores in next year and also year after next.

4.4 Integrated Reporting Disclosures

4.4.1 Introduction

Section 4.4 provides details of the integrated reporting disclosure scores over the period between 2010 and 2016. The section begins with descriptive statistics on integrated reporting scores, disclosures by sector, and eventually the relationship between integrated reporting disclosure scores and the associated company factors (including IFRS scores, sustainability scores, and integrated reporting scores).

Table 4.26 shows the number of companies that claimed to prepare an integrated report. Also, a notable feature was that even though some companies did not prepare an integrated report, the annual report provided information relevant for integrated reporting. In determining the disclosure scores, the study did not separate the companies that claimed to adopt integrated reporting from those that did not claim adoption. This is because the study focused on disclosures. As provided in Chapter Eight on recommendations for further studies, a study could be conducted to determine the quality of disclosures for those companies that claim the adoption of an integrated report.

Table 4.26 Integrated Reporting Adopters By 2016

Sector	2010	2011	2012	2013	2014	2015	2016
Banking	1	1	1	1	1	4	4
Telcom		1	1	1	1	1	1
Commercial and Services						1	1
Energy							1
Total	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>6</u>	<u>7</u>

Table 4.26 reports that banks form the majority of early adopters.

4.4.2 Integrated Reporting Disclosure Scores: Levels, Trends and Descriptive Statistics

4.4.2.1 Integrated Reporting Disclosure Scores: Levels and Trends

Figure 4.3 on page 166 shows the levels and trends for mean and median disclosures of integrated reporting over the seven years:

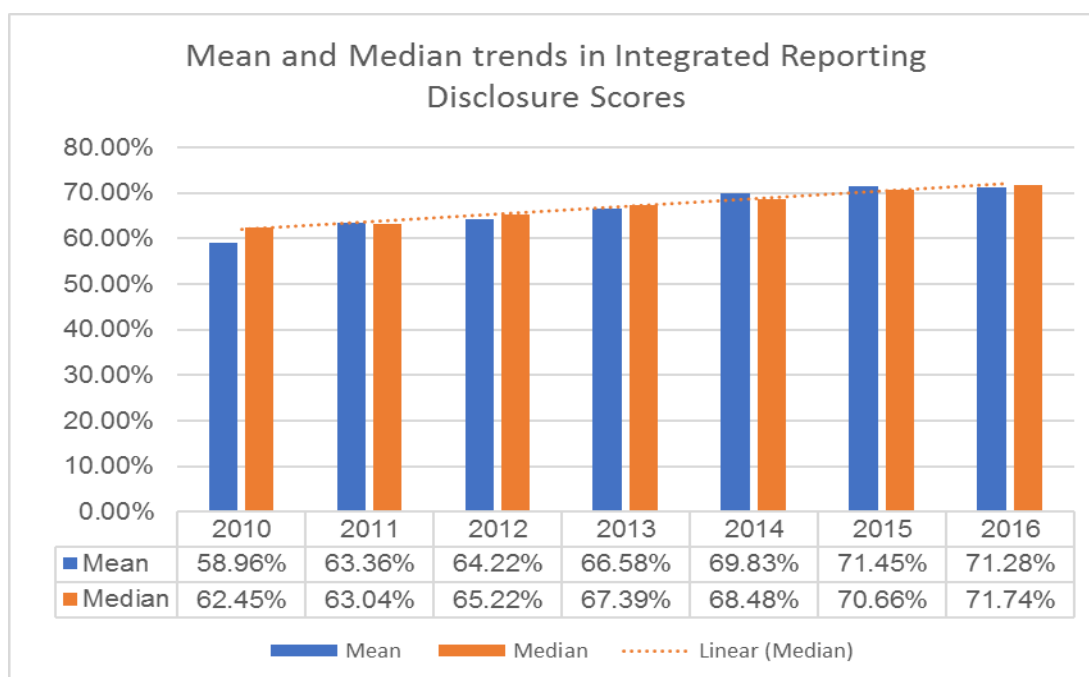


Figure 4.3 Trends in Integrated Reporting Disclosure Scores by NSE Listed Companies

Figure 4.3 shows that from 2010, integrated reporting disclosure scores have been on an upward trend, from 60% in 2010 to 71.45% in 2015 though the disclosure scores reduced by 0.13%.

4.4.2.2 Integrated Reporting Disclosure Scores: Descriptive Statistics

Table 4.27 presents the summary statistics for integrated reporting disclosure scores:

Table 4.27 Summary Statistics for Integrated Reporting Disclosure Scores

Statistic		2010	2011	2012	2013	2014	2015	2016
Mean Scores		58.96%	63.36%	64.22%	66.58%	69.83%	71.45%	71.28%
Std. Deviation		17.18%	16.94%	17.33%	17.37%	17.91%	18.30%	18.75%
95% Confidence Interval- Mean	Lower Bound	53.39%	58.01%	59.01%	61.48%	64.74%	66.14%	65.78%
	Upper Bound	64.53%	68.70%	69.42%	71.68%	74.93%	76.76%	76.79%
Median		62.45%	63.04%	65.22%	67.39%	68.48%	70.66%	71.74%
Minimum		28.26%	30.43%	30.43%	32.61%	26.09%	8.70%	6.52%
Maximum		97.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Range		69.57%	69.57%	69.57%	67.39%	73.91%	91.30%	93.48%
Interquartile Range		21.74%	23.39%	22.83%	28.26%	21.12%	21.20%	20.91%

According to Table 4.27 the integrated reporting disclosure scores are on an upward trend, variability has been increasing as provided by standard deviation while

the range has also been widening. Table 4.28 provides a summary of the normality test.

Table 4.28 Normality Test Results for Integrated Reporting Disclosure Scores

Year	Kolmogorov-Smirnov			Shapiro-Wilk			Decision
	Statistic	df	Sig.	Statistic	df	Sig.	
2010	0.093	39	.200*	0.976	39	0.553	Normal
2011	0.068	41	.200*	0.981	41	0.725	Normal
2012	0.071	45	.200*	0.983	45	0.76	Normal
2013	0.072	47	.200*	0.982	47	0.658	Normal
2014	0.098	50	.200*	0.969	50	0.217	Normal
2015	0.096	48	.200*	0.948	48	0.033	Normal
2016	0.097	47	.200*	0.945	47	0.028	Normal

Based on the results shown in Table 4.28, integrated reporting scores follow a normal distribution at both 95% and 99% confidence levels. Because the scores are normal, a repeated-measures ANOVA with a Greenhouse-Geisser (1959) correction model is recommended. Table 4.29 shows a summary of the results.

Table 4.29 Greenhouse -Geisser Correction ANOVA Summary Results for Integrated Reporting Disclosure Scores

Year	Mean	Standard Deviation	Number
Integrated Reporting Scores - 2010	59.42%	17.16%	38
Integrated Reporting Scores - 2011	63.48%	17.13%	38
Integrated Reporting Scores - 2012	65.61%	16.74%	38
Integrated Reporting Scores - 2013	68.42%	16.78%	38
Integrated Reporting Scores - 2014	72.92%	15.84%	38
Integrated Reporting Scores - 2015	72.67%	18.50%	38
Integrated Reporting Scores - 2016	72.07%	19.17%	38

The repeated-measures ANOVA with a Greenhouse-Geisser correction determined that mean integrated reporting scores differed statistically significantly between the years – $F(2.164, 80.082) = 15.01, P < 0.001$). Post hoc tests using the Least Significant Difference (LSD) correction revealed the mean integrated reporting score for the year 2016 is statistically significantly different from the mean IR scores for the rest of the years except 2013 to 2015. Therefore, we can conclude that there has been an increase in integrated reporting from 2010 to 2013, but the difference in the increase in integrated reporting disclosures from 2013 to 2016 is not statistically significant.

4.4.2.3 Integrated Reporting Disclosure Scores: Levels and Trends by Sector

Table 4.30 provides a summary of integrated reporting scores by sector over the seven years.

Table 4.30 Integrated Reporting Disclosure Scores by Sector

Sector	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	Average %	Rank
Agriculture	41.25	44.93	43.48	44.93	52.17	57.61	57.61	48.85	10
Automobile & Access.	43.48	51.09	48.91	55.43	58.70	60.87	59.78	54.04	9
Banking	58.70	59.90	64.01	69.78	76.09	78.58	79.78	69.55	4
Commercial & Services	49.66	53.49	54.04	57.14	63.66	69.57	70.29	59.69	8
Construction & Allied	61.16	62.88	65.22	69.57	71.74	71.74	70.87	67.60	5
Energy & Petroleum	72.94	75.41	74.89	71.91	76.17	76.60	77.45	75.05	3
Insurance	59.78	67.54	70.43	70.87	64.35	67.39	69.13	67.07	6
Investments	53.26	85.87	85.87	85.87	81.16	81.16	81.88	79.30	2
Manufacturing & Allied	65.65	65.65	63.77	64.60	66.85	61.96	57.88	63.76	7
Telecom & Technology	97.83	100.00	100.00	100.00	100.00	100.00	100.00	99.69	1

Table 4.30 shows that telecom, investments, energy, and banking sectors lead in terms of integrated reporting disclosures, while agriculture, automobile, and accessories lag the rest of the sectors. The scores are also significantly different across the sectors as per the independent samples Kruskal-Wallis test with a $p = 0.000$.

4.4.2.4 Integrated Reporting Disclosure Scores and Relationship with Associated Company Factors

4.4.2.4.1 Integrated Reporting Disclosure Scores: Static Econometric Models of Random Effects

Table 4.31 on page 169 provides a summary of the Random Effects Model.

**Table 4.31 Integrated Reporting Disclosures Scores and Associated Company Factors
Random Effects Model Summary Results**

Variable	Random Effects One Way- Group	Random Effects One Way -Time	Random Effects Two way
Number of Observations	318	318	318
Number of Groups	50	7	
F test	.	.	1062.16
Prob > F	.	.	0.000
R-Squared: Within	0.4510	0.7684	
R- Squared: Between	0.7996	0.8768	
R- Squared: Overall	0.7272	0.7696	
Sigma_u	0.0766	0	
Sigma_e	0.0705	0.09045	
Rho/ Root MSE	0.5411	0	0.0871
Integrated Reporting Disclosure Scores with:	Coeff.(Prob)	Coeff.(Prob)	Coeff.(Prob)
Log of Assets	0.0563(0.192)	0.1081(0.000*)	0.1081(0.000*)
Return on Assets	-0.1085(0.044*)	-0.1362(0.165)	-0.1363(0.045*)
Auditor 2	-0.0016(0.957)	-0.0019(0.872)	-0.0019(0.898)
Auditor 3	-0.0653(0.132)	-0.0859(0.000*)	-0.0860(0.000*)
Auditor 4	-0.1143(0.061)	-0.0916(0.000*)	-0.0916(0.000*)
Auditor 5	0.0382(0.620)	0.0418(0.016*)	0.0418(0.205)
Auditor 6	-0.1895(0.006*)	-0.1725(0.045*)	-0.1725(0.000*)
Auditor 7	-0.0857(0.230)	0.0111(0.762)	0.1111(0.816)
Auditor 8	-0.0069(0.976)	0.01659(0.962)	-0.0166(0.949)
Sec- Agriculture	-0.1062(0.029*)	-0.1218(0.000*)	-0.1218(0.000*)
Sec- Banking	-0.0527(0.416)	-0.0648(0.388)	-0.0648(0.102)
Sec -Commercial & Services	-0.0549(0.293)	-0.0142(0.660)	-0.0142(0.666)
Sec-Construction & Allied	0.0914(0.132)	0.0776(0.007*)	0.0776(0.018*)
Sec -Energy & Petroleum	0.1249(0.033*)	0.1327(0.000*)	0.1327(0.000*)
Sec-Insurance	0.0627(0.376)	0.0878(0.010*)	0.0878(0.049*)
Sec-Investments	0.0531(0.459)	0.1320(0.001*)	0.1320(0.004*)
Sec-Manufacturing & Allied	0.0048(0.935)	0.0620(0.098)	0.0621(0.128*)
Sec -Telecom and Technology	0.0813(0.298)	0.1184(0.010*)	0.1184(0.038*)
Debt to Asset Ratio	-0.0463(0.209)	-0.0445(0.291)	-0.04452(0.235)
Dividend Yield	0.0439(0.424)	0.0806(0.244)	0.0807(0.330)
Log of Dividends Paid	0.0012(0.498)	0.0009(0.221)	0.00086(0.499)
Board Size	-0.0053(0.304)	0.0030(0.537)	0.0030(0.320)
Prop. Of Non-Executive Directors	0.0064(0.915)	-0.0522(0.301)	-0.0522(0.207)
Prop. No. of Women on Board	0.1787(0.074)	-0.0736(0.011*)	-0.0736(0.194)
Ownership - Foreign	-0.0630(0.080)	-0.0537(0.000*)	-0.0537(0.000*)
Age	-0.0001(0.855)	0.0001(0.540)	0.0001(0.561)
Block shareholding	-0.0005(0.996)	-0.0176(0.459)	-0.0176(0.677)
IFRS Disclosure Scores	0.4185(0.298)	-0.2508(0.301)	-0.2508(0.298)
Sustainability Disclosure Scores	0.2492(0.024)	0.2348(0.000*)	0.2348(0.000*)

Corp. Gov. Disclosure Scores	0.5391(0.000*)	0.4377(0.000*)	0.4377(0.000*)
Constant	-0.5182(0.131)	-0.2458(0.392)	-0.2458(0.251)

Table 4.31 reports that size, sector, sustainability scores, and corporate governance have a positive and significant relationship with integrated reporting, while the type of auditor, the proportion of women on board, and foreign ownership is negative and significant at 5% level.

The robust Hausman test model output from Stata reported a Chi² value of 16.061, with a p-value of 0.1566, showing that the random-effects model is more appropriate for the current panel data. Besides, the random effects models show that the results are significant based on R² and model fit as given by the Lagrange Breusch-Pagan Lagrange Multiplier reports a Chi² of 45.16 with a probability of 0.000.

4.4.2.4.2 Dynamic Panel Data Models for Integrated Reporting Disclosure Scores

Table 4.32 on page 171 provides a summary of the Arellano-Bond and Arellano-Bover Estimators. According to Table 5.34, current period foreign ownership, age, sustainability disclosures, and corporate governance disclosures have a positive and significant effect with integrated reporting disclosures for the next period and period after next. Arellano-Bover and Arellano-Bond (corporate governance only) using both one and two lags.

**Table 4.32 Integrated Reporting Disclosure Scores and Associated Company Factors
Dynamic Econometric Models Summary Results**

Variables	Arellano-Bond Estimator		Arellano-Bover Estimator	
	1 Lag	2 Lags	1 Lag	2 Lags
No of Observations	219	170	268	219
No of groups	49	47	49	49
Chi ²	347.88	289.87	296.56	256.04
P>/Chi ²	0.000	0.000	0.000	0.000
Integrated Reporting Disclosure Scores with	Coeff. (prob)	Coeff. (Prob)	Coeff. (Prob)	Coeff. (Prob)
Lag 1	0.2949(0.113)	0.1245(0.548)	0.4378(0.000*)	0.3666(0.000*)
Lag 2	N/A	0.0810(0.162)	N/A	0.0178(0.762)
Log of Assets	-0.022(0.032*)	-0.0107(0.496)	-0.0314(0.130)	-0.0242(0.239)
Return on Assets	-0.0141(0.838)	-0.0841(0.259)	-0.0276(0.708)	-0.0117(0.882)
Auditor	Omitted	Omitted	Omitted	Omitted
Sector	Omitted	Omitted	Omitted	Omitted
Debt to Assets	-0.0172(0.734)	-0.0579(0.264)	-0.0038(0.936)	-0.0182(0.722)
Dividend Yield	-0.0021(0.942)	0.0458(0.683)	0.0085(0.918)	0.0135(0.425)
Log of Dividends	-0.0003(0.828)	0.0010(0.480)	-0.0002(0.866)	0.0003(0.857)
Board Size	-0.0021(0.729)	-0.0072(0.855)	-0.0015(0.708)	-0.0016(0.697)
Prop. Non-Exec. Directors	0.0195(0.692)	0.0865(0.184)	0.0018(0.975)	0.0650(0.359)
Prop. of Women on Board	0.0120(0.284)	0.0847(0.248)	0.0544(0.517)	0.0558(0.556)
Foreign Ownership	Omitted	Omitted	Omitted	Omitted
Age	0.0165(0.061)	0.0146(0.092)	0.0019(0.018*)	0.0020(0.012*)
Block Shareholding	0.0094(0.906)	0.0420(0.520)	0.0089(0.941)	0.0782(0.515)
IFRS Disclosure Scores	-0.8436(0.158)	-0.8126(0.141)	-1.004(0.042*)	-0.805(0.147*)
Sust. Disclosure Scores	0.2615(0.077)	0.2381(0.106)	0.2210(0.008*)	0.2354(0.005*)
Corp. Gov. Discl. Scores	0.3667(0.014*)	0.4122(0.021*)	0.3580(0.025*)	0.3912(0.000*)
Constant	Omitted	Omitted	1.5222(0.068)	0.7668(0.147)
Sargan Test				
Chi 2	13.81	14.31	20.63	26.15
Prob> Chi 2	0.32	0.14	0.23	0.03

4.5 Perspectives of Preparers, Regulators and Users

4.5.1 Perspectives of Preparers

4.5.1.1 Company Features for Preparers

In the administration of the questionnaires to the companies, the first step was to contact the departments involved with annual reports (almost all being finance) for each listed company (65 at the time of the study). 20 companies explained they have a non-response policy and hence declined to take part in the study. Four companies explained that the finance department did not wish to take part in the study and did not offer reasons. 41 companies agreed and were provided with the link to the questionnaire via an email. However, after three to six weeks of correspondence, only 20 responses were received. Eight companies did not formally communicate the reason for not taking part, despite several phone calls and company visits. Participants offered informal reasons: auditing was in progress; reporting managers were in training and meetings; the reporting person(s) responsible was on leave or left employment, among others. Nine companies made a promise to fill the questionnaire but did not do so by the time of authoring. Four companies explained that they did not get the relevant approval from the senior management to take part in the study.

In terms of company features, Question 1 required the respondents to indicate their position in the company, Question 2 required the respondents to indicate the sector and Question 3 required the participants to state whether the company is local or foreign-owned. The position in the company highlights the role of a participant in preparing the annual report of the company. Table 4.33 provides a summary of the positions of respondents to the questionnaire.

Table 4.33 Summary of Company Positions Held by Respondents

Position	Number
Chief Finance Officer/Financial Controller	8
Group Reporting Manager	7
Chief Accountant	3
Head Investor relations	1
Head of Internal Audit	1
Total	<u>20</u>

Table 4.33 shows that most of the participants are involved with annual reporting, while the head of the internal audit, when contacted explained that he is involved with providing information for interim and annual reports and also reviews the company's reports before onward dissemination. Table 4.34 on page 173 provides a summary of the companies that responded by sector:

Table 4.34 Summary by Sector of Questionnaire Respondents

Sector	Number
Agriculture	2
Automobile and Accessories	2
Banking	5
Commercial and Services	1
Construction and Allied	1
Energy and Petroleum	1
Insurance	3
Investment	1
Manufacturing and Allied	3
Telecommunication and Technology	1
Total	20

Similar to the section for awarding scores in the various disclosures of financial and non-financial information, most of the respondents are from the banking sector. Also, 70% of the participants were companies with local shareholding.

4.5.1.2 Preparers' Perspectives on Current Reporting Practices

Question 4 asked the participants to indicate additional reports that the company prepares besides the chairman/CEO's reports and corporate governance reports. 80% of the respondents explained that they prepared a social responsibility report, while 70% prepared an environmental report. Meanwhile, one respondent indicated that the company prepares a portfolio review report, another indicated a health and safety report while three in the banking sector provided a risk management review. Also, two respondents indicated that their companies provided a remuneration report.

Question 5 asked the participants to indicate if they are aware of the GRI sustainability reporting guidelines and OECD/CMA corporate governance reporting guidelines. All the participants stated that they were aware of the corporate governance reporting guidelines, but only 60% of the participants were aware of the GRI sustainability reporting guidelines.

Question 6 asked the participants to state whether social responsibility and environmental reporting should be mandatory. 65% of the respondents felt that both sustainability reporting and environmental reporting should be made mandatory while 70% felt that only environmental reporting should be made mandatory. Figure 4.4 on page 174 provides a summary of the responses. The one-sample Wilcoxon signed-rank test reports that the differences in the choice for the two results are not statistically significant at a 5% level (p -value of 0.657).

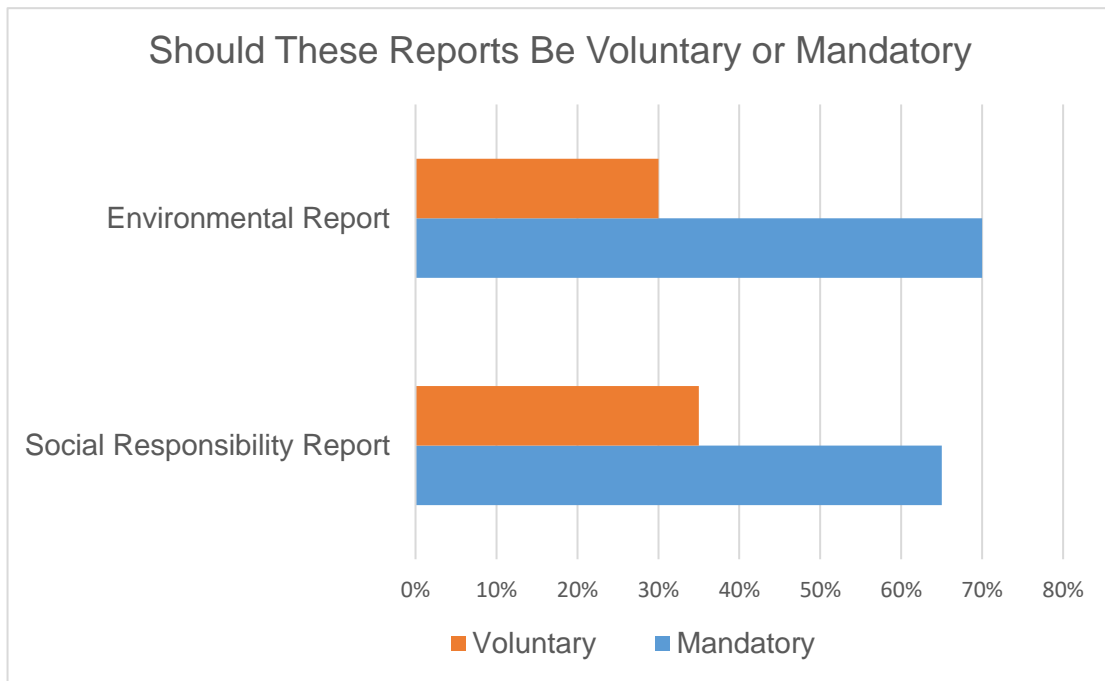


Figure 4.4 Summary Response on whether Sustainability Reports should be Mandatory

The respondents were also asked to comment on the choice of their answers and if there were any challenges in the preparation of these sustainability reports. Four respondents explained that all activities of the organization are important and hence the need to inform and educate investors and other stakeholders. In terms of challenges, three respondents requested templates that can be used to guide companies to overcome the current challenges of preparing sustainability reports. Besides, the three participants raised concerns about the time required and the costs of preparing sustainability reports.

Question 7 asked the participants to indicate which factors ranging from professional bodies, the law, regulators, promotion awards like FiRe and other voluntary bodies like GRI are important in improving disclosures and the quality of reporting for listed companies with a scale of 4 to 5 being from not important and to most important, respectively. Figure 4.5 on page 175 provides a summary of the results.

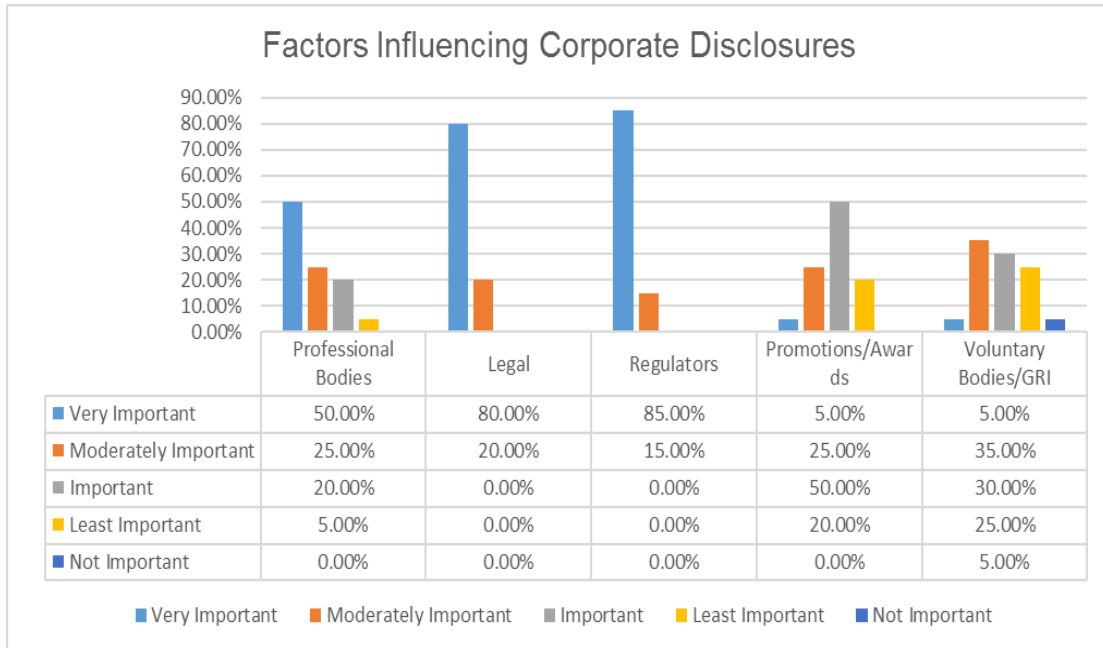


Figure 4.5 Factors Influencing Corporate Disclosures and the Quality of Reporting

Figure 4.5 shows that the majority of the respondents view regulators, then the law and followed by professional bodies, as playing an important role in requiring more disclosures and improving the quality of reporting. Promotions like FiRe Awards and voluntary bodies are less important. The one-sample Wilcoxon signed-rank test; the factors are significant with a p-value of 0.000. (The null hypothesis was that the factors are not important = median, 3).

Question 8 required participants to provide feedback on whether there are gaps in the current reporting by listed companies in Kenya. Figure 4.6 provides a summary of the responses.

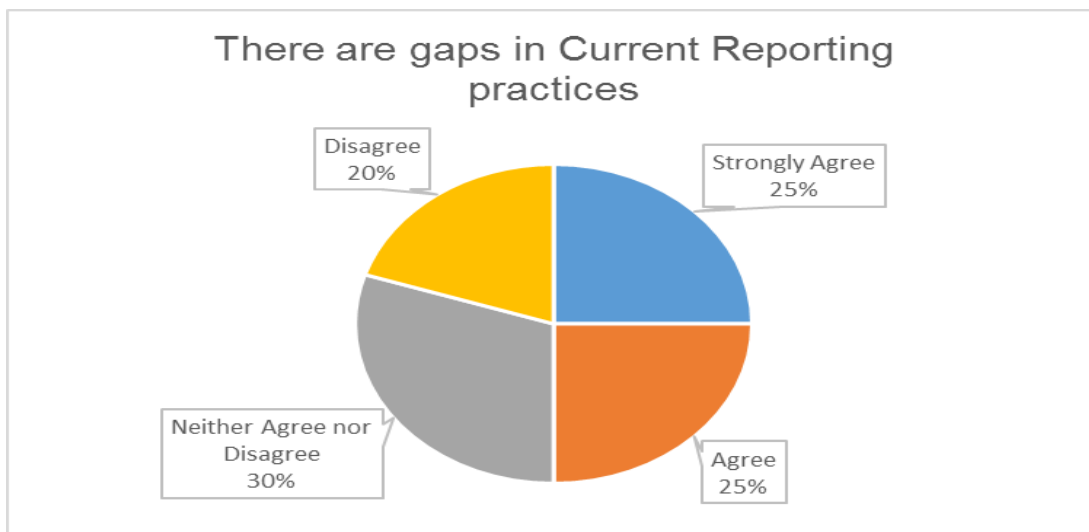


Figure 4.6 Summary Response about gaps in Current Reporting Practices

Figure 4.6 shows that 50% of the participants think there are gaps, while 20% see no gaps, while 30% are not sure. According to the one-sample Wilcoxon signed-rank test, the responses are statistically significant at the 5% level (a P- value of 0.034, and we reject the null hypothesis of neither agree nor disagree). For those who agreed that there are gaps, question 9 requested a description of the gaps. Two respondents did not describe the gaps, while four mentioned the quality of non-financial information is not sufficient especially sustainability, inconsistent application of corporate governance disclosures, and overlaps in accounting standards.

Question 10 requested participants to state if they agree that there are challenges with current reporting practices for listed companies in Kenya. Figure 4.7 provides a summary of the response.

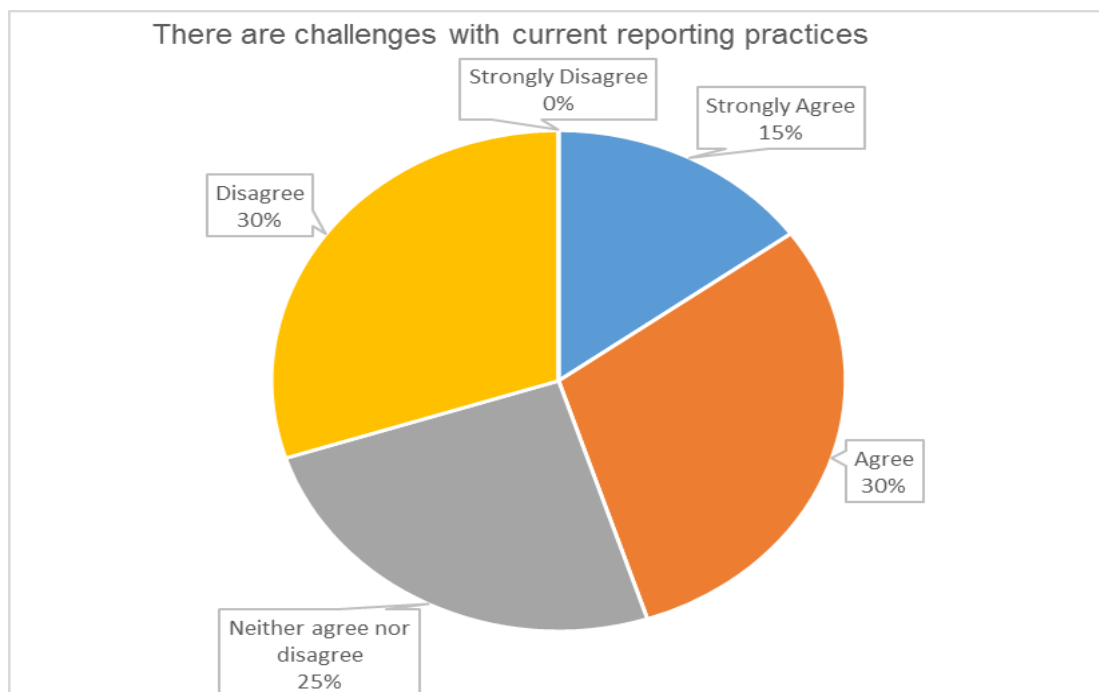


Figure 4.7 Summary Response on whether there are Challenges with Current Reporting Practices

Figure 4.7 shows that in terms of current reporting, 45% of the participants think there are challenges, while 30% see no challenges, 25% neither agree nor disagree. According to the one-sample Wilcoxon signed-rank test, the responses are not statistically significant at the 5% level (p-value of 0.152, and we fail to reject the null hypothesis of neither agree nor disagree). Question 11 required for those who agree to describe the challenges. One respondent mentioned a lack/limited data to report on sustainability matters. Also, one respondent mentioned that the IFRSs keep on changing and hence leading to challenges in adoption (citing accounting standards on financial instruments). This was also highlighted as part of the challenge highlighting a

lack of proper systems to get data for sustainability reporting. There are also multiple regulations faced in sectors like banks and insurance. Participants highlighted those reports on health and safety that provide information that relates to sustainability (social) matters.

4.5.1.3 Preparers' Perspectives on Integrated Reporting

Question 12 requested the participants to indicate the status of integrated reporting in the company. Figure 4.8 provides a summary of the responses:

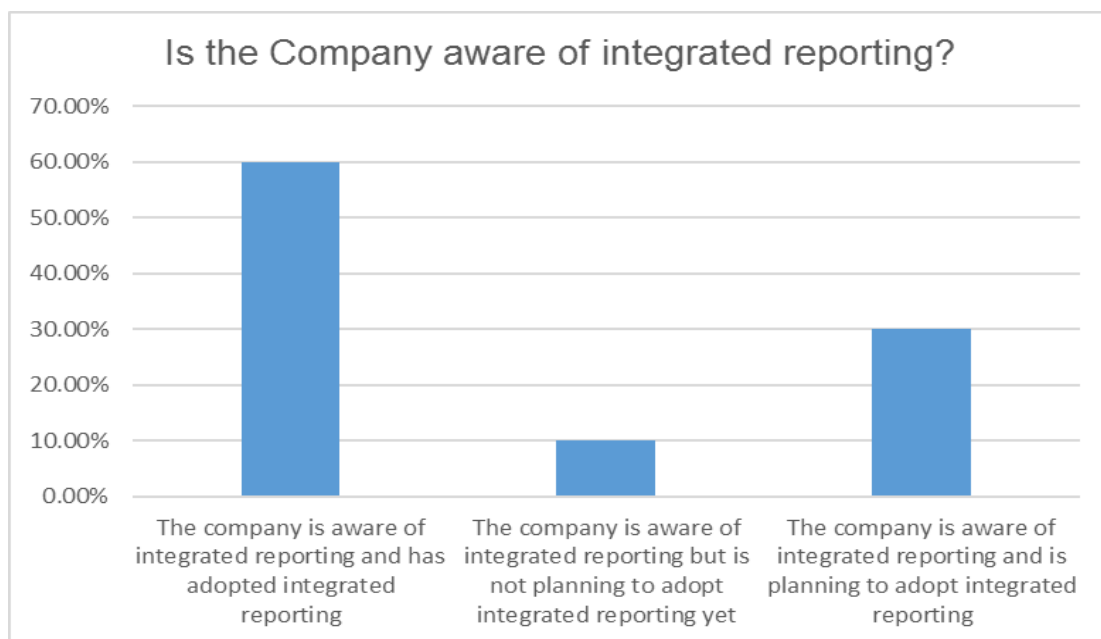


Figure 4.8 Status of Integrated Reporting Awareness by Respondents

As shown in Figure 4.8, 60% of the respondents stated that their companies have adopted integrated reporting, and some already prepared annual reports for 2017 as an integrated report. Question 13 asked the participants to provide the reason(s) for adoption. Most of the participants explained they have adopted integrated reporting based on the recommendation of CMA, a few respondents explained that their companies have adopted integrated reporting because it provides more information to its shareholders and increased transparency by the company.

Question 14 requested the participants whose companies have adopted integrated reporting to comment on their experience regarding the process, the benefits, and the challenges of integrated reporting. Figure 4.9 on page 181 provides a summary of the comments as provided by the twelve respondents (minor editing has been done on the comments to correct grammatical errors and apply the punctuation).

“The first step of the process and shifting the mindset was difficult, but this has since changed. We have satisfied investors and partners who consider the information rich on which to base their assessments, ratings and credit decisions.

“Has a combined emphasis on conciseness, strategic focus and future orientation, the connectivity of information and the capitals and their interdependencies”

“Very detailed reporting required but very informative for the shareholder”

“The process is a bit involving, has the benefit of ensuring maximum disclosures. The challenges we encountered were during the change due to need to avoid duplication of information/data”

“The processes are more rigorous as there is need to consider all factors of production and how they are inter-related and inter connected for achievement of the firms' objective. IR has helped in marketing of the tea, a noticeable challenge is the implication on COP e.g. the need for additional certifications and audits.”

“Integrated reporting involves tracking various metrics with a view of improving on the company's allocation of capital to create value. it therefore improves the accountability to stakeholders.”

“It is quite involving as it calls for a multi-functional team working together in order to develop the report.”

“Understanding the IIRC framework took some time, especially the concepts of key inputs, resources and capitals. There being few local companies that had embraced integrated reporting made the process challenging since there existed no local benchmark or reference point”.

“As compared to traditional reporting (the chairman and managing directors' reports, the governance report and the annual financial statements), adoption of integrated report extended the reporting time and required committing additional resources to produce the annual report.”

“The benefits of our integrated report have been to provide more visibility of our activities to our stakeholders. Indeed, the level of engagement with key stakeholders i.e. bankers, financiers and strategic partners has been enhanced. As you engage with them you realize that having gone through the integrated report, they understand us and our business better and are able to provide a higher level of engagement and solutions.”

“Benefits- Stakeholders have a clear view of the company's strategy and its impact on society that numbers alone cannot demonstrate.”

“Adoption has been incremental (and is still work in progress). Initially it was challenging to appreciate the significance of integrated reporting. However, in the last few years the integrated reporting approach has helped us improve our non-financial performance tremendously. Our brand equity has grown positively and many of our internal processes have been streamlined for both cost and time efficiency.”

“The experience was an eye opener, the company has learnt a lot about the business strategy and aligned the departments to the strategies and how they will create value in the short, medium & long term.”

“We have 4 years' experience in preparing an integrated report. The challenges include buy- in by stakeholders, availability of data and a lack knowledge by stakeholders on integrated reporting”

Figure 4.9 Summary Comments on Participants' Experience with the Adoption of Integrated Reporting

According to Figure 4.9, several key comments are highlighted. First, the reporting process has become very detailed, very involving, and time-consuming because contributions have to be made by different functions of the company. In terms of the benefits of adopting the integrated report: meeting investor needs, ratings and credit decisions have improved, improvements in brand equity, and more learning

about company strategy, business model, and aligning functions to the strategy of the company.

According to Question 15, 20% of the participants stated that their company is not planning to adopt integrated reporting despite being aware of integrated reporting, while 30% stated that they are aware of integrated reporting and their companies are planning to adopt integrated reporting. Question 15 requested the respondents to explain the reason for not planning to adopt integrated reporting; only one participant reported that it is voluntary and hence not a requirement. For those planning to adopt integrated reporting, Question 16 requested the reason for planned adoption and timelines. Reasons for planning to adopt integrated reporting vary from best practice, more detailed disclosures, increase transparency in reporting, to an improvement in the quality of reporting. Most of the respondents provided a timeline of 2018 and 2019 annual reports. Three of the respondents did not provide a timeline.

Question 17 provided the participants with the definition of integrated reporting as given by the framework and requested participants to indicate whether the definition is adequate and resonates with their understanding of integrated reporting. 90% of the respondents stated that the definition is adequate, while 10% cited that it is not adequate as it excludes the internal environment and may not be very clear to those who do not deal with reporting. Question 17 also requested participants to indicate if this definition captures how they understood the meaning of integrated reporting. Even though the participants agreed with the definition, integrated reporting had different meanings to the majority of the respondents. Some explained that integrated reporting goes beyond the bottom line, incorporating non-financial information with financial information, and some explained that integrated reporting is including sustainability matters in mainstream reporting.

Question 18 required respondents to indicate whether they prepare an integrated report as a stand-alone report or together with other reports. Figure 4.10 on page 183 provides a summary of the status of reporting of integrated reporting.

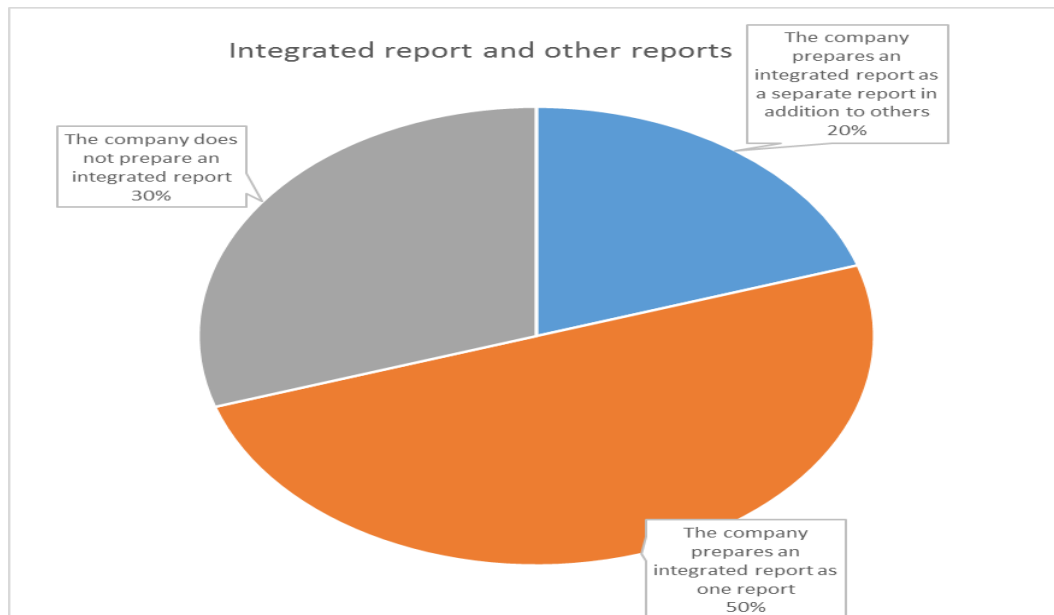


Figure 4.10 Summary Responses on whether the Company Prepares an Integrated Report and if so if Separate or Combined with Other Reports

30% of participants indicated they do not prepare an integrated report. 50% of those who prepare an integrated report claim to prepare a separate report, while 20% prepare an integrated report in addition to other reports. However, the other reports were not provided.

Question 19 provided the participants with the categories of capitals as per an integrated report (financial, manufactured, intellectual, human, social and relationship, and natural). The participants were also provided with examples of these capitals and were required to explain whether there is clarity in their classification and explain where there is a lack of clarification. 85% of the participants agreed that there is clarity on how the capital is classified. Two participants in financial services pointed out the concept of manufactured and natural capital in the balance sheet as lacking some clarity but did not describe the clarity.

Question 21 required participants to indicate the extent to which the capitals apply to their organizations. Figure 4.11 on page 181 provides a summary of the responses. According to Figure 4.11, all the capitals are relevant. Even though financial capital is highly relevant to all the companies, there was some doubt about natural capital because most participants felt it was somewhat relevant but not highly relevant.

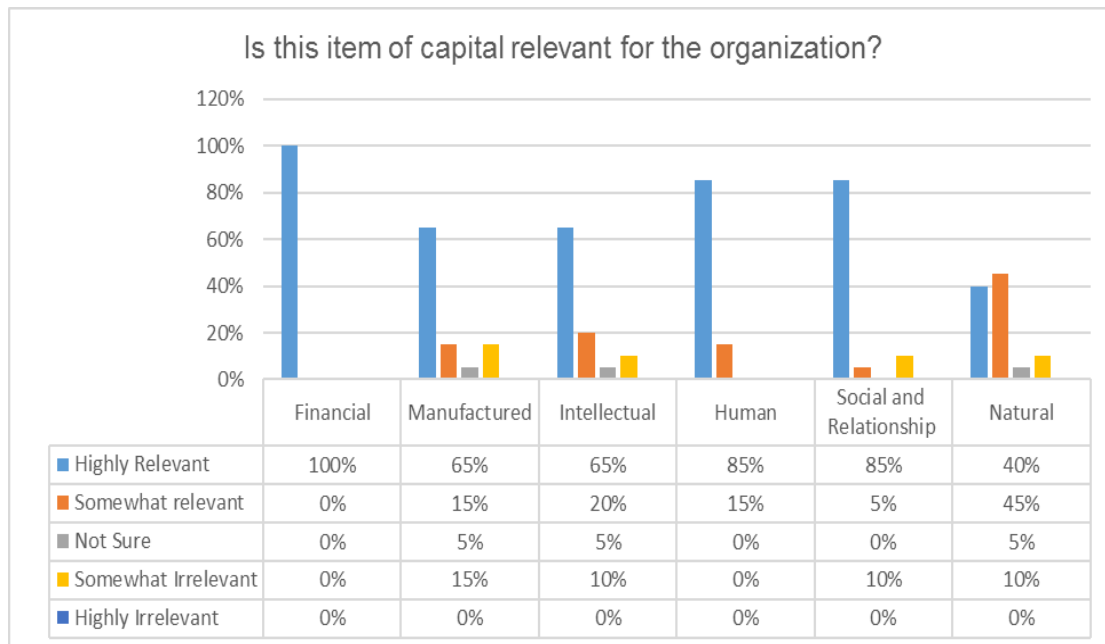


Figure 4.11 Summary Responses on the Relevance of Integrated Reporting Capitals to a Company

According to the one-sample Wilcoxon signed-rank test, the relevance of all the capitals is significant at 5% with a p-value of 0.000 (We reject the null hypothesis of not sure). Question 21 required the respondents to highlight whether the company has, or there will be, any challenge in providing information about any of the capitals. Only three respondents raised issues regarding the sensitivity of the information, no data for intellectual, social, and natural capital besides a challenge on their valuation.

Question 23 asked the participants to indicate if the seven principles proposed by the integrated reporting framework are achievable. The responses are summarized in Figure 4.12 on page 182. According to figure 4.12 even though participants agreed that all the principles are achievable, 10%-15% of participants seemed to have reservations regarding the connectivity of information, materiality, and conciseness. As all participants agreed that the principles are achievable, there was no response to question 24 (which requested participants to elaborate more in case their choice was a principle is not achievable). Also, the responses are significant at 5% level as per the one-sample Wilcoxon signed-rank test with a p-value = 0.000 (We reject the null hypothesis of neither agree nor disagree), meaning that participants view all these principles as achievable.

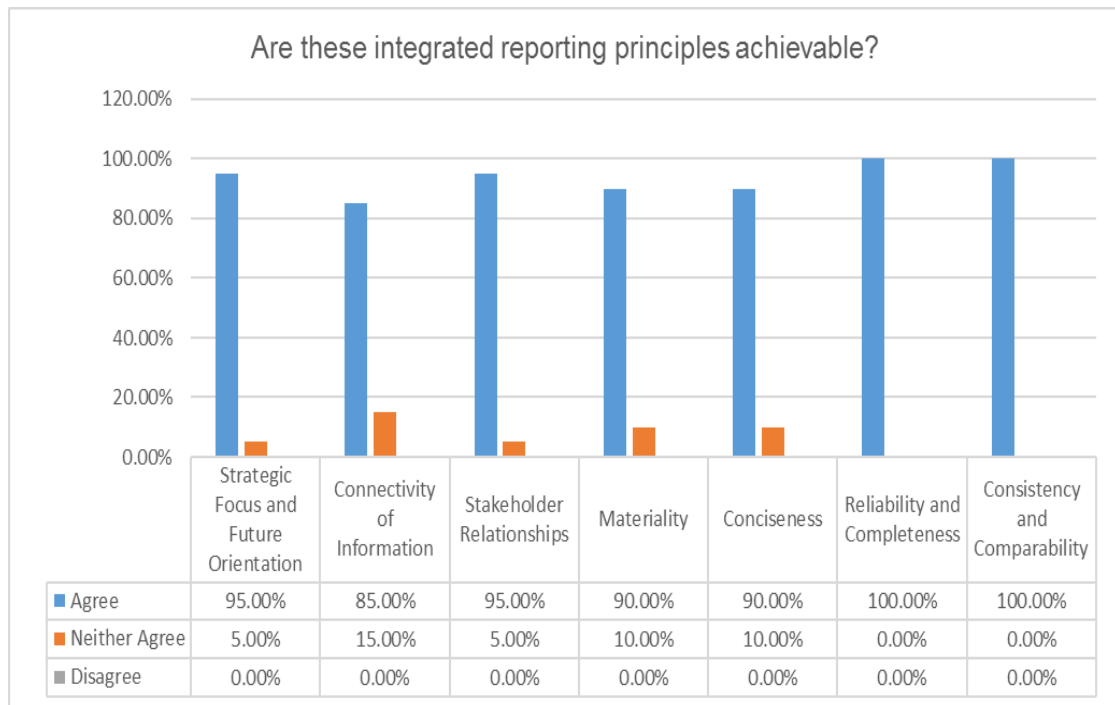


Figure 4.12 Summary Responses on the Extent to which the Integrated Reporting Principles are Achievable

Question 25 requested participants to indicate the extent to which the content elements of an integrated report are acceptable. Question 26 required the participants to explain in case a content item is unacceptable. Figure 4.13 on page 183 provides a summary of the responses. According to figure 4.13, all the content elements are acceptable, except for the business model, strategy and resources, and outlook where some participants are not sure and have expressed concern. Five participants explained that the business model, strategy, and outlook provide information to competitors. The responses are significant at 5% level as per the one-sample Wilcoxon signed-rank test with a p-value = 0.000 (We reject the null hypothesis of a neutral response), meaning that participants strongly feel that all content elements are acceptable.

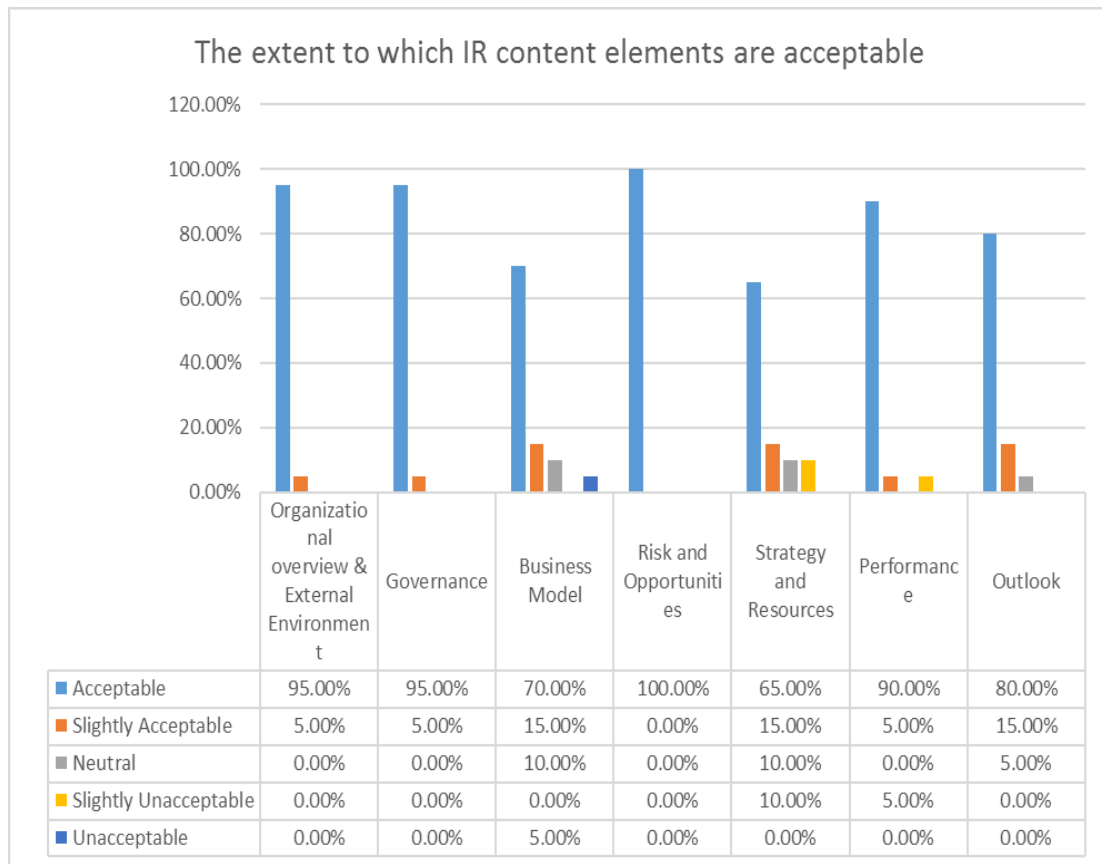


Figure 4.13 Summary Responses on The Extent to which Integrated Reporting Content Elements are Acceptable

Question 27 requested respondents to comment on whether the content elements of integrated reporting are sufficient. Except for two, the rest of the participants stated the contents were sufficient. One respondent felt that the information is excessive and the possibility of sharing competitively harmful information, while another suggested that a Value-Added Report should be included.

Question 28 requested the participants to provide the extent to which the content elements of integrated reporting may provide information that is competitive hence leading to competitive harm. Figure 4.14 on page 184 summarizes the results from the responses. According to Figure 4.14, the participants are concerned with the Business model (80%), Strategy and Resources (75%), and Risk and Opportunities (65%) chances of extremely likely and likely to provide competitively harmful information.

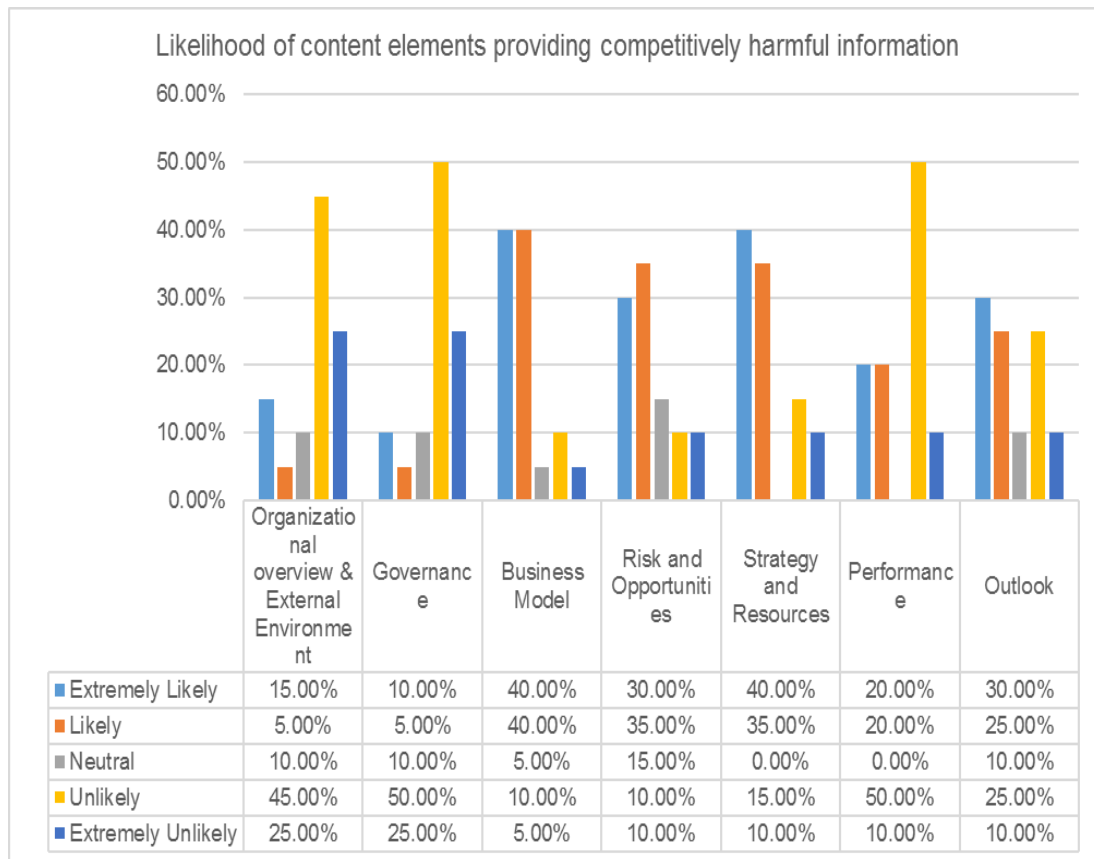


Figure 4-14 Likelihood of Integrated Reporting Content Elements Providing Competitively Harmful Information

To check whether these responses are significant at 5% the one-sample Wilcoxon signed-rank test was performed with a hypothesis of neutral. Figure 4.15 on page 185 presents a summary from the SPSS output:

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The median of Organizational O equals 3.	One-Sample Wilcoxon Signed Rank Test	.101	Retain the null hypothesis.
2	The median of Governance equals 3.	One-Sample Wilcoxon Signed Rank Test	.026	Reject the null hypothesis.
3	The median of Bus Model equals 3.	One-Sample Wilcoxon Signed Rank Test	.004	Reject the null hypothesis.
4	The median of Risk and O equals 3.	One-Sample Wilcoxon Signed Rank Test	.054	Retain the null hypothesis.
5	The median of Strategy and R equals 3.	One-Sample Wilcoxon Signed Rank Test	.027	Reject the null hypothesis.
6	The median of Performance equals 3.	One-Sample Wilcoxon Signed Rank Test	.845	Retain the null hypothesis.
7	The median of Outlook equals 3.	One-Sample Wilcoxon Signed Rank Test	.193	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Figure 4.15 Wilcoxon Signed Rank Test Results for Elements Providing Competitive Harm

According to figure 4.15, the response about the business model and strategy and resources providing competitively harmful information is significant. However, the responses on governance are not significant meaning that governance does not provide competitively harmful information.

Question 29 provided the participants with a list of factors that may influence companies to adopt integrated reporting as suggested by IIRC. The participants were requested to highlight the extent to which these factors are influential. Table 4.35 on page 186 provides a summary of the results from the respondents. As shown in Table 4.35, based only on percentages, improving trust with stakeholders and meeting investor needs are factors that will influence the faster adoption of integrated reporting, but a lower cost of capital and cost reduction is not very influential.

Table 4.35 Key Factors that May Influence NSE Companies to Adopt Integrated Reporting

Factor	Very Influential	Somehow influential	Slightly Influential	Not Influential	Sum of Scores	Ranking
Meets investor needs	80.00%	10.00%	10.00%	0.00%	74	2
More non-financial information	45.00%	45.00%	5.00%	5.00%	66	4
Improve trust with stakeholders	85.00%	10.00%	5.00%	0.00%	76	1
Better resource allocation	35.00%	40.00%	20.00%	5.00%	61	7
Cost reduction	30.00%	30.00%	30.00%	10.00%	56	10
Enhanced risk management	50.00%	45.00%	0.00%	5.00%	68	3
Opportunity identification	35.00%	40.00%	20.00%	5.00%	61	8
Reduced reputational risk	50.00%	30.00%	15.00%	5.00%	65	5
Lower cost of capital	20.00%	30.00%	35.00%	15.00%	51	11
Easier access to capital	35.00%	25.00%	30.00%	10.00%	57	9
Collaboration across different functions	35.00%	45.00%	15.00%	5.00%	62	6

To establish which factors are important and rank them, the Likert scale was labelled 1 for not influential, 2 for slightly influential, 3 for somehow influential, and 4 for the very influential. Table 4.35 also provides a summary of the factors, with the total weights and ranking. However, the one-sample Wilcoxon signed-rank test of significance shows that the ranking of the factors is not statistically significant at 5% (with a sig. of 0.610, with a null hypothesis that the sums are not different from 62).

Question 30 required the participants to provide other factors that may influence the adoption of integrated reporting, which are not included in the list. One respondent mentioned that an integrated report may be useful for negotiations in mergers and acquisitions and another respondent claimed that more awareness and training on integrated reporting were key. Another respondent suggested FiRe award.

Question 31 provided participants with a list of barriers that may arise in the adoption of integrated reporting. Participants were required to state the extent to which these were barriers. Table 4.36 on page 187 provides a summary of the responses. Table 4.36 shows that over 65% of the participants view all these factors as barriers. Most respondents felt that the provision of information to competitors as moderate to the extreme barrier. Having different regulations and overlaps in reporting are not ranked as extreme barriers though different regulations have a heavy classification in the moderate barrier.

Table 4.36 Barriers to NSE Companies Adopting Integrated Reporting

Barrier	Extreme Barrier	Moderate Barrier	Somewhat a Barrier	Not a Barrier	Scores	Ranking
Different regulations (legal and professional)	10.00%	50.00%	10.00%	30.00%	60	4
Provision of information to competitors	40.00%	45.00%	10.00%	5.00%	66	1
Lack of knowledge	20.00%	25.00%	40.00%	15.00%	56	7
Lack of adequate information systems	25.00%	25.00%	30.00%	20.00%	59	5
Clarity of the person to prepare the IR	30.00%	25.00%	15.00%	30.00%	63	2
Lack of audit and assurance	15.00%	15.00%	35.00%	35.00%	56	8
Time required	25.00%	30.00%	15.00%	30.00%	62	3
Overlaps with other reports	10.00%	35.00%	25.00%	30.00%	57	6
The Cost of preparation	15.00%	30.00%	30.00%	25.00%	47	9

To establish which barrier is important by ranking, the Likert scale was labeled from 1 to 4. After considering the weights, Table 4.37 also provides a summary of the barriers, with the total weights and ranking. Like with factors to the adoption of integrated reporting, the one-sample Wilcoxon signed-rank test shows that the sums are not significant at a 5% level ($P = 0.880$, where we fail to reject the null hypothesis that the sum of the score is 60). Again, only based on ranking, the provision of information to competitors is the key barrier.

Table 4.37 provides a summary of the Principal Component Analysis for both factors that influence the adoption of integrated reporting and barriers to integrated reporting. Given Eigenvalues of more than 0.6, none of the factors or barriers is significant.

Table 4.37 Integrated Reporting Factors and Barriers - Summary Principal Component Analysis

Factor to integrated Reporting adoption		Barriers to Integrated Reporting adoption	
Factor*	Eigen	Barrier*	Eigen
Collaboration across different functions	0.967	Lack of adequate information systems	0.941
Reduced reputational risk	0.963	The Cost of preparation	0.930
Better resource allocation	0.959	Overlaps with other reports	0.922
Opportunity identification	0.959	Clarity of the person to prepare the IR	0.913
More non-financial information	0.944	Time required	0.910
Easier access to capital	0.942	Lack of knowledge	0.902
Cost reduction	0.931	Different regulations (legal & professional)	0.779
Lower cost of capital	0.909	Lack of audit and assurance	0.718
Enhanced risk management	0.909	Provision of information to competitors	0.711
Meets investor needs	0.839		
Improve trust with stakeholders	0.804		

*1 Component Extracted

Even though Question 32 required participants to suggest other barriers to integrated reporting in addition to those listed above, the majority of respondents felt that these barriers were sufficient. However, two participants added data collection and analysis, while one respondent pointed out coordinating colleagues to provide input into the integrated reporting.

Question 33 required the participants to provide their views on whether integrated reporting will improve the quality of corporate reporting in Kenya and the reason for their answer. 60% of the participants strongly agreed that the adoption of integrated reporting will improve the quality of reporting, with 35% agreeing, but 5% neither agreeing nor disagreeing. Question 34 required participants to comment on the choice of their answers. Not all the 20 participants responded to this question though. Figure 4.16 contains the edited comments of 14 respondents.

“Enhanced disclosures by public companies give more information, which is key in understanding operations, strategy and performance: it places a huge premium on the company and benefits all the readers of the report.”

“It emphasizes the importance of integrated thinking within organizations”

“It will make company leadership more answerable to stakeholders who will now be more informed about the organization, unlike previously where stakeholders without financial know-how were disadvantaged in their understanding of organizations.”

“As the reader will be exposed to more and better information and over time companies will improve their reporting of such, including being challenged by their auditors.”

“More disclosure, comparability and quality of information availed.”

“IR will enhance overall accountability to all stakeholders.”

“Some sort of assurance would be required to assess the quality and the accuracy of disclosures made under integrated reporting.”

“There is a need for disclosures other than financial information, this will heighten the conscientiousness of those charged with management and governance greater non-financial information (organisation mindset is shared).”

“Yes, IR will improve the quality of the disclosures and reporting but not the overall health of the company i.e. in instances where an organization is very keen on its reputation risk, there is an increased likelihood of exaggeration of the facts and particularly the non-financial information.”

“Integrated reporting requires reporters to adopt a holistic view of the organisation.”

“The interconnection of information from various sections of the report will allow the report to link clearly the non-financial to the financial information and the current performance to future outlook and strategy.”

“Improvement in the quality of disclosures and relevant information to stakeholders.”

“IR will enhance better understanding of operations of the businesses”

“Integrated reporting approach definitely will improve quality from an external view, but more so internally; the organization is compelled to be in a constant state of self-review and self-improvement, because ultimately, it will want to report an array of positive achievements (especially non-financial) that outweigh the negatives. This will slowly transform organizations into responsible corporate citizens who are wholesome in their approach to doing business and more value-driven than profit-driven.”

“There will be transparency and the investors will get more information about the company they have invested in or want to invest in. Also, the company will be keen on how they do business as they will be required to report on. It is a commitment from the company toward certain values it believes in.”

Figure 4.16 Summary Comments on why Integrated Reporting will Improve the Quality of Corporate Reporting

The main reasons and how integrated reporting will improve corporate reporting is because providing more non-financial information leads to greater transparency, makes companies more accountable, companies will start thinking holistically, and will enable companies and other stakeholders to learn the business better (knowing the strategy, business model and performance). However, one respondent complained about integrated reporting leading to improved disclosures, but not the overall financial performance of the business. Besides, integrated reporting could be merely a public relation to companies. These negative sentiments, (could be valid though), reflect the view of one participant.

Question 35 required participants to suggest various options for integrated reporting: first integrated reporting should not be adopted; secondly integrated reporting should be adopted but voluntarily; and finally, integrated reporting should be made mandatory. 55% of the participants felt that integrated reporting should be adopted and made mandatory, while 45% felt integrated reporting should be adopted but voluntarily. According to the one-sample binomial test, there is no significant difference in the choice of mandatory and voluntary adoption of integrated reporting (sig. 0.824, with a null hypothesis value to be 50% hence we fail to reject the null hypothesis).

Question 36 asked the participants to provide any other comments regarding current corporate reporting practices, integrated reporting, and the way forward for corporate reporting in Kenya. Most of the participants felt that the current disclosures require improvement, especially on sustainability matters. Whereas integrated reporting is an improvement that may lead to more disclosures, investor needs will continue to evolve and hence corporate reporting. Regulatory and professional bodies will need to develop suitable templates that will guide corporate reporting and increase their level of support in terms of capacity building. Integrated reporting will require more time and resources for companies to adopt and derive benefits and potentially lead to information overload.

4.5.2 Perspectives of Regulators

4.5.2.1 Introduction

As explained in Chapter three, only five regulators out of the planned six (ICPAK, ICPSK, CMA, NSE, IRA, and CBK) participated in the interviews. The name of the regulator who did not participate is not provided though. Two of the participants were the Chief Executive Officers in their organizations, and the other three were in charge of supervision and reporting in their respective organizations. One participant

had served in the position for less than 2 years, one for two years, and the rest had been in their positions for more than five years. Finally, all the participants had a minimum of a master's degree in business, with one pursuing a Ph.D. in organizational leadership.

This section highlights the key discussions based on two themes of current reporting and proposed integrated reporting.

4.5.2.2 Regulators' Perspectives on Current Reporting Practices

The first question required regulators to explain their role in enhancing the quality of corporate reporting by listed companies. All the regulators highlighted their roles but narrowed mainly on their legal mandate. For example, two regulators focused on implementing accounting and auditing standards, but to protect the interest of the public, promote additional disclosures through awards. Three regulators were concerned with only good corporate practices and disclosures.

Question 2 required a regulator to comment on the standard of financial and non-financial information disclosed by listed companies. Almost all regulators felt that financial information disclosures by IFRS are high, but two felt that improvements are still necessary, but could not highlight the areas of IFRS that need to be improved. Second, regulators felt that disclosures in corporate governance are high, there is still room for improvement, especially on the compensation of key management. One regulator explained that companies are making corporate governance disclosures for compliance rather than on the potential benefits of making such disclosures. Overall, all the regulators felt that sustainability disclosures require improvement. The adoption of international benchmarks such as those of GRI can make this possible.

The first part of Question 3 required a regulator to describe the challenges of improving corporate reporting for listed companies in Kenya and how the regulator is mitigating these challenges. The first challenge pointed out was the new Companies Act of 2015 that requires potentially multiple reports, while exempting small companies from reporting and auditing. Second, overlaps because of multiple reporting regimes; insurance companies and banks have to comply with corporate reporting governance reporting guidelines issued by CMA and also by industry regulators like CBK and IRA. Third, even though the regulators are consulting and collaborating on some aspects of reporting, there is poor coordination and enforcement of implementation and overlaps in their roles. For example, if there is non-compliance with corporate governance requirements by a bank; who is the regulator to take action? Is it NSE, CMA, or Central Bank? Fourth, many companies have the selective application of disclosures claiming a lack of knowledge or excessive cost to provide information on sustainability matters.

Fifth, some guidelines require to be updated such as corporate governance, while companies have challenges in accepting some disclosures, for example, directors' remuneration. Finally, despite the effort to conduct training and workshops by regulators and events such as FiRe Awards, most of the participants attend or take part to comply rather than to make improvements in reporting. For example, two regulators noted that companies are slow to implement recommendations to improve disclosures of sustainability matters for companies taking part in the FiRe Award.

The second part of Question 3 required a regulator to highlight gaps that arise in reporting non-financial information in a specific sector. Key highlights were that sustainability reports are of poor quality: governance reports still require improvements, while some disclosures are biased and prepared for public relations. A big challenge for corporate governance is multiple sources of the code, for example, CMA, IRA, and CBK have issued corporate governance codes, though they cover the same principles. The new Companies Act requires more disclosure which some companies are already complaining about, such as detailed disclosures of earnings of each director serving on the board during a given financial period. A notable issue was less demand and push for sustainability reports for the insurance sector.

4.5.2.3 Regulators' Perspectives on Integrated Reporting

The first part of Question 1 required regulators to indicate if they are aware of integrated reporting and the second part was to explain the meaning of integrated reporting. All the regulators explained that they are aware of integrated reporting. In terms of meaning, each regulator had a different understanding of integrated reporting. The first regulator explained that integrated reporting involves providing more non-financial information. The second regulator explained that integrated reporting requires an integrated approach to reporting where one provides information about how the organization does business, and how the organization affects society. The third regulator explained that integrated reporting is an all-inclusive report about the company, moving beyond numbers and providing information on the environment, social responsibility, and linkages with non-financial information. The fourth regulator explained that integrated reporting makes it compulsory to provide both financial and non-financial information for decision making. Finally, the last regulator explained that integrated reporting requires more information beyond the numbers which includes strategy and how strategy leads to value creation for stakeholders.

In Question 2, regulators were required to indicate if they agreed that integrated reporting would provide a platform for regulators to harmonize reporting in different regulatory environments. All the regulators agreed that even though adopting

integrated reporting is beneficial, it may be difficult to harmonize regulation. Only one regulator felt that it is possible to have consultations and collaboration among the regulators, but not harmonization. The rest of the regulators felt that there are several challenges to harmonizing regulation. Regulators have limited legal scope to enforce disclosures like on sustainability matters. Regulators are concerned only with enforcing what is provided in the law and not beyond the scope, as they can be put to task. Also, unless changes are made to the different laws so that they recommend a standard reporting framework for non-financial information, it will be difficult for regulators to harmonize the reporting requirements. Regulators are also not experts in certain matters of reporting. For example, the insurance and banking sectors focus on disclosures such as the risk and actuarial valuations and have less time to focus on sustainability and accounting standards matters. One regulator though was positive that adoption of integrated reporting could aid in thinking about harmonizing corporate reporting regulation.

Question 3 had five parts. The first part required a regulator to state if the adoption of integrated reporting would improve corporate reporting in Kenya and the reason for the answer. All the regulators agreed that integrated reporting will lead to an improvement in corporate reporting, but only if companies adopt integrated reporting in full. The reason stated was that integrated reporting emphasizes on non-financial information such as sustainability reporting and strategy provides information to all stakeholders necessary for decision making.

The second part of Question 3 required regulators to indicate if there are issues that an integrated report needs to address for specific industries. Varied reasons were provided. For example, there should be an emphasis on non-financial information, especially on the social, environmental, and human aspects of the organization. In some industries like insurance, there will be a need to create the demand from users and supply by companies of integrated reporting, by showing the value addition of an integrated report to both parties. Two regulators also hinted that they are aware some companies are also not achieving the intended aim of removing barriers to silo thinking because they are using the services of consulting firms to prepare an integrated report rather than preparing the report internally.

Part three of Question 3 required regulators to indicate if there are any consequences of adopting the integrated reporting by listed companies. Regulators raised issues. The main one is the need to build capacity and demonstrate how integrated reporting will lead to value addition. It is expected that many companies will adopt integrated reporting over time, but this will depend on various factors like current practices, capacity, flexibility, and the information systems that companies used to

collect data. Most of the companies will highlight their strategies, value creation activities, but it is not known whether relevant this information is to users. Regulators are also worried about the ability of users to understand and Analyse an integrated report. It could be sophisticated for some shareholders. Another issue is that there will be challenges in enforcing integrated reporting and it may call for a change of the law and other guidelines. Even though an integrated report will lead to more information and better decision making, it may be costly for companies. Already there are concerns about current reporting disclosures required by IFRSs and corporate governance reports being costly to prepare for shareholders.

Part four of Question 3 required regulators to recommend whether companies should adopt integrated reporting as provided by the Integrated Reporting Framework, or whether the contents should be customized. Most regulators felt that the framework should be implemented as it is for general comparison, but companies should be allowed to make modifications that apply to an industry or company. One regulator felt that if integrated reporting is to work, then each industry should be allowed to develop its integrated report.

Part five of Question 3 requested regulators to provide challenges of adopting integrated reporting in Kenya. Major challenges include costs, customization (which might reduce comparability), how the preparation of the report will be enforced, analytical ability of users, conflict in regulators mandate, a wider scope to report, and lack of benchmarks for reporting non-financial measures. Because of these challenges, integrated reporting will require time for adoption, possibly three to four years.

All the regulators agreed that integrated reporting will improve the quality of corporate reporting in Kenya, but two regulators cautioned that this will be the case only if companies are transparent in their disclosures or if companies are willing to disclose more in their reports despite the costs. The regulators proposed for an integrated report that is sector-specific to address the concerns of regulators and preparers in each sector especially those in banks and insurance. Regulators are of the view that companies will require time to adopt integrated reporting, there is a need to agree on how integrated reporting adoption will be made possible and regulated; changes may need to be made to the laws such as the Companies Act and the cost implication of adopting the integrated reporting needs to be assessed and the implication for various stakeholders such as preparers and users evaluated. These reasons will probably explain why the regulators are unanimous that integrated reporting be voluntary rather than mandatory for the time being.

Question 4 required regulators to provide further comments and views regarding current reporting practices proposed integrated reporting and the way forward for corporate reporting for listed companies in Kenya. The first regulator explained that integrated reporting is an improvement in current reporting, but integrated reporting is only a stage and corporate reporting will continue to evolve beyond integrated reporting. The changing needs of stakeholders and technology will drive the developments. The second regulator expressed concern about the slow pace at which laws, regulations and other guidelines change to meet stakeholder needs. Also, overlaps in the laws create challenges on who should enforce disclosure requirements. The third regulator felt that integrated reporting is an improvement to current reporting needs, but unfortunately, it may be affected by current corporate reporting challenges. Integrated reporting will need to focus on addressing investor needs. The fourth and fifth regulators felt that corporate governance reporting will be the main driver of integrated reporting, but integrated reporting will continue to evolve due to changes in market needs, technology, and stakeholder needs.

Overall, regulators hold the view that there is room to improve corporate reporting disclosures more specifically in the areas of sustainability reporting. Integrated reporting is an improvement to current reporting, but unfortunately, it is still a process but not an end in corporate reporting. Furthermore, regulators view corporate governance as one of the major drivers of integrated reporting. Just like preparers, regulators have the view that corporate reporting will continue to progress to adapt to investor needs and technology.

4.5.3 Perspectives of Users (Analysts)

4.5.3.1 Introduction and Background on Users

Even though the number of investment banks and fund managers was 31 as given by CMA, only 14 of them had an equity analysis department. Out of the 14 contacted, only 10 analysts agreed to take part in the study, with two stating a non-participation policy and the remaining two did not provide any feedback or willingness to participate. This sample was still high enough to make inferences about the views of analysts on the current and integrated reporting.

Question 1 requested the interviewees to indicate the number of years of experience with equity analysis. The average experience was 9 years with the lowest being 3 years for one analyst. 6 firms have been in operation for over 20 years.

Question 2 requested participants to show if their firms have a research department (which they all indicated they have) and the information used for equity analysis. All firms use global and macro-economic (such as GDP, inflation and

exchange rates) data obtained from KNBS, CBK, and Bloomberg. For industry data such as the number of companies, they obtain these from CBK, IRA, and other researchers and brokers. For company information, they use the annual reports of the company. They obtain hard copies from the companies or soft copies from companies' websites. Besides, the analysts hold meetings with the management to discuss strategies and obtain additional insights into the company's performance and outlook. A few firms also use information from the media and investor briefings held by the companies. Equity analysts have also developed their proprietary data from historical information about the company and financial forecasts with some key metrics like return on equity, price-earnings, and cash flows.

4.5.3.2 Users' Perspectives on Current Reporting Practices

Question 1 requested the analysts to indicate non-financial reports (Social and Environmental, Management Discussions and Analysis (MDA) and corporate governance) they find useful in equity analysis. Eight out of the ten analysts felt that MDA and corporate governance are important, but only two firms felt that all the reports are important. For MDA, the report provides more insight into the financial performance and position of the company. For corporate governance, the qualifications and experience of the board, together with other mechanisms to protect resources in addition to risk management and the audit committee assures the going concern of the company. Unfortunately, most of the analysts found little or no use for sustainability reports. For those companies that report on sustainability matters, the analysts felt that this was more public relations by companies than value-adding and hence need not be valued. However, one analyst who found sustainability matters to be useful explained that the parent firm required the use of sustainability factors to be considered in equity analysis. A second analyst explained that sustainability matters are important so far as they have a risk and legal implications for the company. For example, the company faces the risk of penalties and fines if it does not comply with environmental laws.

Question 2 requested an analyst to comment on the quality of financial and non-financial information. All the analysts felt that the quality of financial information has improved over the years, especially the detailed notes to the financial statement items. However, two analysts explained that they felt the disclosures differed among companies with those in the financial services sector, like banks, telecom, and investment companies having detailed disclosures. However, a major complaint by all the analysts was that the interim reports of many companies (except banks) are very sketchy and companies need to improve disclosures made in interim reports. Also, the

provision of both interim and annual reports should be timely and readily available for example using companies' websites. All the analysts felt that the MDA is okay, but this require in-depth discussions and analysis and more objective information. To quote one analyst:

“It is not enough to say, the political environment impacted negatively on the company's performance. Rather, explain how politics affected the company, for example, led to reduced demand.”

Eight analysts explained that they get poor responses when they ask management to elaborate on the statements made in their MDAs. All the analysts felt that corporate governance disclosures are high, but CMA needs to ensure that companies are complying with all disclosures. Three analysts indicated they are impressed with the current disclosures of the directors' compensation, which requires details of compensation given for each director and broken. Finally, all the analysts agreed that sustainability matters are still not reported sufficiently, though, this is not a problem because they find little use for the sustainability reports.

Question 3 asked the analysts to state whether MDA, sustainability and corporate governance reports should be made mandatory (Note that the MDA is now a requirement of the Companies Act 2015). All the analysts indicated MDA and corporate governance should be mandatory, while only two felt that sustainability reporting should be mandatory. However, all the analysts felt that to reduce information overload, companies should focus only on important matters, but without explaining which matters should be given priority.

Question 4 asked the analysts to describe a screening model for equity, whether the model factors non-financial information and the weights are given to financial and non-financial information. Nine analysts explained that they have an equity screening model, while the tenth analyst explained that instead of a screening model, the firm uses an investment process in selecting stocks. All the analysts explained that their stock screening models used quantitative or financial metrics only in selecting stocks and apply judgment when using qualitative information. Two analysts explained that they use qualitative information to select the stocks first (for example, a company that has corporate governance issues is excluded from the analysis first) before subjecting them to the stock screen, while others use the quantitative information first. One analyst was able to share a screenshot of the equity screening model as shown in Figure 4.17 on page 197.

Abridged Equity Screening Model

<u>Explicit factors</u>	<u>Weighting</u>	<u>Score</u>	<u>Weighted Score</u>
Expected upside: Financial Modelling Output	xx	xx	=Weighting x Score
Market Capitalisation	xx	xx	=Weighting x Score
Liquidity (Proxy 1-Average Daily Value Traded)	xx	xx	=Weighting x Score
Liquidity (Proxy 2-Freefloat)	xx	xx	=Weighting x Score
Total Score	xx		xx

Implicit Factors *

Business Strategy-From Management Discussion and Analysis in the Annual Report and Management Meetings
Corporate Governance

*These factors are considered in the financial modelling and valuation process rather than the screening process

Figure 4.17 A Sample of an Equity Selection Stock Screen Used by a Participant's Firm

The firm has a threshold of selecting equities based on a minimum score that could not be disclosed as per the firm's request. The two firms that incorporate sustainability matters explained that their stock screens have a subjective allocation of 80%/75% weighting to financial metrics and 20%/25% non-financial information which they call ESG. However, the firms could not provide how the ESG factors are quantified, but one analyst explained that using subjective factors they rank a company based on a scale of weak to strong on corporate governance. For environmental and social factors, the firm uses a scale of high risk to low risk. Each category has a score that is weighted and then added to the financial weights. Again, the firm reiterated that the use of ESG is very subjective and sometimes the investment committee needs to vote.

Overall, in terms of non-financial information, nearly all analysts prefer management discussion and analysis, followed by corporate governance and only two prefer sustainability matters. Most analysts are of the view that the financial information provided in the annual reports has sufficient disclosures. However, the interim reports are not detailed enough (except those of banks). This is because interim reports contain condensed information, where items of financial statements are grouped without a break-down (for example, major expense items and major asset categories). Also, the analysts suggest that MDA also requires some improvements, as it has more focus on reporting than analysis. For integrated reporting, even though there is an emphasis on improving non-financial information including sustainability matters, analysts do not find sustainability matters very useful for investment decisions. Finally,

an issue of concern for analysts is the level of variability in disclosures made by companies. Despite enforcement by CMA, the quality of corporate governance disclosure varies across the listed companies.

4.5.3.3 Users' Perspectives on Integrated Reporting

Question 1 required participants to state if they are aware of integrated reporting and describe their understanding of integrated reporting. All the participants stated that they are aware of integrated reporting because of Analysing some companies that prepare an integrated report. All the participants also explained that an integrated report aims to compel companies to disclose both financial and non-financial information with eight analysts adding that this is ESG information into one report. Two suggested that it is adding more non-financial information to financial information.

Question 2 required users to highlight any additional information that an integrated report requires that differs from what companies provide that applies to equity analysis. Eight analysts felt that integrated reporting does not require any new information as some disclosures are already required by the law and other professional bodies. However, they stated that some aspects of the disclosures will be more under integrated reporting, for example, two analysts felt that the provision of the business model and stakeholders could be a value-add.

Question 3 required analysts to state if they agree with IIRC's recommendation to companies to adopt integrated reporting because it will enable equity analysts to assess various issues in an organization and show how an organization adds value hence leading to better investment decisions and effective capital allocation. This question elicited varying answers. Nine analysts agreed with this recommendation by IIRC. However, the reasons were varied. All analysts explained that integrated reporting will lead to more information, so analysts will spend less time collecting information from different sources. However, they could not estimate the savings in terms of costs. Also, eight analysts explained that the use of information may not necessarily change the current approach to equity analysis because of experience. One analyst who had dismissed the value of sustainability reporting stated:

"Even if you provide more information about sustainability matters, it is not relevant."

Eight analysts explained that they have a challenge on the meaning of the word value. For example, it is not clear how integrated reporting leads to value building in the stock price or value created by companies. Two of the analysts explained that if

companies provide reliable information in their integrated reports, then this could lead to reliable investment decisions and remotely some value addition.

Question 4 requested equity analysts to confirm if they needed to change investment analytical tools being a challenge of integrated reporting. This is because IIRC claims that investment decision making, and performance rewards focus more on the short term rather than the long term. Four analysts felt that there may be a need to incorporate sustainability matters in their tools of analysis, but the time dimension is not known. Four analysts explained that there may be very minimal changes to the investment analytical tools while two said there will be no change at all as the analytical tools already incorporate sustainability matters. One analyst pointed out that, even though they wish to have a long-term perspective on investing, some clients have a short-term focus and therefore if returns are not realized immediately, they may transfer their funds to other firms with better short-term returns.

Question 5 requested participants to explain if they think integrated reporting will affect their stock screening models. Nine analysts explained yes, but not substantially unless they think of ways to incorporate non-financial information on their stock screens. One analyst explained that his/her firm was already considering ESG factors in its stock screens, and therefore they believe that integrated reporting will probably inform a few changes to their stock screen.

Question 6 requested participants to indicate whether the adoption of integrated reporting by listed companies will improve equity analysis. All the analysts indicated that integrated reporting would make more information available, but to improve equity analysis, they cannot identify substantial benefits. Five of the analysts indicated that they are open to considering, how they can incorporate non-financial matters like sustainability issues in their investment process, but in the long term. It will take some time to incorporate sustainability matters in equity analysis.

Question 7 required the analysts to state if they would recommend integrated reporting for all companies and provide a reason for their answer. All the analysts confirmed that they would recommend integrated reporting and most analysts provided the same reason i.e. integrated reporting will lead to companies disclosing more information in one source.

Question 8 asked analysts if they would recommend integrated reporting to be adopted by listed companies and if yes, whether this should be mandatory or voluntary. Here the answers varied, and several analysts were not very sure about information that should be mandatory. On probing further, which aspects should be mandatory, and which should be voluntary, Table 4.38 on page 200 provides a summary of the responses.

Table 4.38 Analysts' Suggestions on Mandatory and Voluntary Non-Financial Information

Number of Firms	Financial Information	Management Discussion and Analysis	Corporate and Governance	Sustainability matters
2 (20%)	Mandatory	Mandatory	Mandatory	Mandatory
5 (50%)	Mandatory	Mandatory	Mandatory	Voluntary
3 (30%)	Mandatory	Mandatory	Voluntary	Voluntary

Even though all the analysts agree that the adoption of integrated reporting will lead to an increase in disclosures, especially on non-financial information like corporate governance, they will highly recommend that a company adopts integrated reporting voluntarily.

Question 9 asked the participants whether they agreed that integrated reporting might make companies reveal too much information, especially to competitors. Eight analysts agreed that this will be the case but explained that the information is still useful for analysis. However, they expressed concern that the companies, especially management, may not be willing to disclose sensitive information about a company's strategies and even outlook. The remaining two analysts felt that the information was sufficient and not necessarily excessive.

Question 10 required the analysts to state whether the adoption of integrated reporting will lead to an increase in the cost of reporting for companies. All the analysts agreed, basing this on the processes that needed to be put in place and the cost of printing hard copies. Concern was also raised on making the information available timely. For example, three of the analysts noted that some companies are taking too long to release their annual reports, way after having a press briefing to present a highlight of the financial results. If integrated reporting requires detailed disclosures, then this may cause further delays in releasing the annual results.

Question 11 required analysts to explain whether the benefits of preparing an integrated report are more than the expected costs. All the analysts were of the view that the benefits of providing more information outweigh the costs. Also, six analysts explained that the companies need not print hard copies but focus on soft copies being available from other sources such as on the companies' websites and with regulators.

Question 12 required the analyst to explain if they think there will be consistency in reporting if companies adopt integrated reporting. Nine analysts felt that

so long as companies follow the integrated reporting framework, there will be consistency. One analyst observed, however, that some companies report more information when a company is performing well and less when performance is not very good or provide skewed information when they are performing poorly. The analyst feared that this inconsistency may affect the quality of integrated reports if adopted.

Question 13 requested comments from the analysts regarding current reporting, integrated reporting, and the future of corporate reporting in Kenya. A summary of the key responses is given in Table 4.39 on page 202.

According to Table 4.39, like preparers and regulators, users feel that there are gaps in current reporting by listed companies. Key improvements are required concerning the provision of non-financial information. The provision of interim reports is a key concern. Companies should also improve the quality of discussions, especially in management discussions and analysis. Integrated reporting may help provide non-financial information, but sustainability reports may not be highly relevant for investment decisions at this point. Even though integrated reporting is a step forward to improve the quality of reporting, analysts feel that they will still need to meet senior management for other information and insights about company performance and strategies. Finally, like the perspectives of preparers and regulators, corporate reporting will continue to evolve, possibly beyond integrated reporting because of the changing needs of investors and supported by technology. The concern should not be on the quantity of information but useful information.

Table 4.39 Summary of Comments by Users (analysts) on Corporate Reporting

Area	Key Comments
Current Reporting	<ul style="list-style-type: none"> -There has been significant improvement in provision of financial information by NSE companies. -Non-financial information like corporate governance still requires more improvements. -Regulators and companies must improve on the quality and frequency of interim reports and must reduce the time it takes to release the reports. -Management may need to improve on the quality of discussions in the management, discussion and analysis from practice currently. -Sustainability reporting, though informative, will require time before it is used as an input to the investment process. -Companies should avoid providing non-financial information for public relations, but rather, provide information in an objective manner.
Integrated Reporting	<ul style="list-style-type: none"> -Integrated reporting will improve on the quantity and content of disclosures. -Integrated Reporting will lead to more transparency by companies and hence make information readily available for the investment decisions. -Two analysts pointed out that some listed companies are already providing information required by the integrated report, but they are not labelling the report as integrated. -IR will provide more information, but analysts will continue to obtain more insights from companies through normal practices e.g. management meetings.
Way forward	<ul style="list-style-type: none"> -Companies should be encouraged rather than mandated to disclose information. If mandated, this may raise a question on the quality. -Companies need to leverage on technology to provide more information especially on their website. -IR can be assessed over time by companies and analysts in order to achieve the promised benefits. -Corporate reporting will continue to evolve and Integrated reporting may be a path but not the optimal in terms of reporting. This will be driven by technology and changing investor priorities and needs and the ability of organizations to have systems in place to report more quickly -Focus should now be on critical content of annual reports rather than forcing companies reporting more and more, to avoid information overload.

4.6 Summary of the Chapter

This chapter has presented the results and findings. The annual reports of slightly above 70% of the companies were available. However, a large proportion of companies (84%) on the NSE have a website, with nearly all companies having annual reports and other non-financial information provided on their websites.

The content in the annual reports of 50 NSE listed companies was analysed for IFRS disclosures, sustainability, and corporate governance disclosures over the seven years from 2010 to 2016. IFRS disclosure scores are high and increasing from 88% to 90%, sustainability disclosures scores are low but increasing from 25% to 31%, while corporate governance scores are high and increasing from 74% to 82%. However, the trend of sustainability is the only one that is significant. In terms of sectors, even though the telecom sector is leading in nearly all the four areas of disclosures, for the others it is not clear which sectors outperform in all the categories of disclosures.

For company factors, size is the only factor that is positive and significant with all disclosures. Most of the variables are either positive or negative with some being significant. For the adoption of integrated reporting, it is expected that size, sector and previous period integrated reporting scores play an important role in current period integrated reporting disclosures.

Based on the questionnaire, only 20 responses were received from the companies. Only five of the six regulators were interviewed, and only 10 analysts were interviewed. The three stakeholders think that improvements in current reporting with preparers and regulators focusing on non-financial information, while analysts are concerned about the quality of interim reports and depth of management discussions. The anticipated benefits and barriers are different for each stakeholder, with users thinking that there will be more information but no change or improvement to the investment process. All stakeholders agree that integrated reporting is an improvement, but not optimal for corporate reporting due to changing investor needs. Unfortunately, even though all stakeholders are for the adoption of integrated reporting, overall, they all think it should not be made mandatory. This means stakeholders require time and experience to understand the process, regulation, and analysis of integrated reporting.

Chapter five provides a discussion of the findings and results.

5 CHAPTER FIVE

DISCUSSION OF THE FINDINGS AND RESULTS

5.1 Introduction

Chapter One provided the introduction of the research and Chapter Two presented the literature review, while Chapter Three discussed the methodology. Chapter Four highlighted the findings and results. Chapter Five discusses the results and findings in light of theoretical, empirical literature, and practical implication.

Chapter Five is organized as follows:

5.2 IFRS, Sustainability, and Corporate governance disclosures and Company factors

5.3 Integrated Reporting Disclosures and company factors

5.4 Preparers', regulators' and users' perspectives of current reporting practices and integrated reporting

5.5 Emergent Findings and Results

5.6 Summary of the Chapter

5.2 IFRS, Sustainability and Corporate Governance Disclosures

5.2.1 Levels and Trends in IFRS, Sustainability and Corporate Governance Disclosures

IFRS disclosure scores ranged from 88.6% in 2010 to 90.10% in 2016, with a marginal and not significant increase of 1.5%. Kenya, despite being an emerging market, has a high IFRS compliance level. There are several possible reasons for high compliance with IFRS: Professional and legal support, enforcement by professional and regulatory bodies, incentives like FiRe Award, and experience from early adoption of IFRS spanning nearly three decades. In addition to supporting agency and stakeholder theories, high compliance with IFRS by NSE listed companies also is in line with most of the empirical studies and confirms the studies of McFie (2010) and Kipchoge (2015). The findings demonstrate that despite the challenges facing emerging markets such as low information efficiency, listed companies may be able to achieve high IFRS disclosure levels, possibly match or even perform better than those in developed markets. High IFRS disclosures also suggest that for integrated reporting, financial information will make it easier to link with other non-financial information. However, the marginal increase in the disclosure levels shows that IFRS

improvements in IFRS disclosures are at a slow pace. Nevertheless, few companies have the potential to achieve 100% IFRS disclosures.

The standard deviation across the years is low at an average of 4.5%. This implies that there is no significant variation in the levels of IFRS compliance; possibly explained by legal and professional support (Accounting Standards) and experience. Lower variation in financial disclosures will probably make the adoption of integrated reporting easier, by ensuring financial metrics are consistent from one period to the next.

From a sectorial perspective, companies in the insurance, telecom, and manufacturing sectors report high compliance with IFRS. However, the rankings in the IFRS disclosures by sector are not significant. For insurance companies, this may be explained by strict and multiple regulations. For the telecom sector, it was only one company, so there is a potential for bias, although the company is large and hence may explain the reason for compliance.

Despite the high levels of IFRS compliance, the minimum disclosure scores ranged from 78 % to 95%, with a few companies experiencing challenges in making disclosures for some accounting standards. These accounting standards include IAS 1 – Presentation of Financial Statements, IAS 12 – Income taxes, IAS 16 – Property, plant and equipment, IAS 19 – Employee benefits, IAS 36 – Impairment of Assets, IFRS 7/9 – Financial Instruments and IFRS 13 – Fair value measurement. For example, for IAS 1 nearly all companies did not report capital management. Overall, non-compliance with the accounting standards in these areas may indicate that in terms of the adoption of integrated reporting, there could be a challenge in providing information regarding details of financial capital and intellectual capital. Property, plant and equipment and impairment cover aspects of manufactured capital; employee benefits relate to intellectual capital while financial instruments cover aspects of financial capital. However, IFRS 7 and IFRS 9 accounting standards were introduced recently and companies, therefore, need time to improve disclosures.

Even though sustainability disclosure scores are low from 25% in 2010 to 31% in 2016, the levels are trending upwards. The findings of low but trending disclosures contribute to the empirical literature, though the majority did not provide the disclosure levels. The findings support those of Khasharmeh and Suwaidan (2010), which found the average disclosures at 26%. The study also established only one company having adopted GRI sustainability guidelines with three more using the same guidelines but not officially stated. This finding shows the low adoption of GRI sustainability guidelines in Kenya as compared to that of Fernando and Pandey (2012) with only 34% of the listed companies in Sri Lanka having adopted GRI sustainability guidelines.

Meanwhile, Dilling (2010) also reported low sustainability disclosures. The finding of low sustainability disclosures is inconsistent with stakeholder and legitimacy theories. According to these theories, companies are expected to make more disclosures on sustainability matters to demonstrate that they are taking care of the interest of all stakeholders and legitimize their existence. Besides, the low sustainability matters contradict the findings from preparers who have demonstrated support for sustainability reporting. It is likely that either the companies are not aware of GRI guidelines or if aware, there is little goodwill to disclose sustainability matters. The trending sustainability disclosures which stakeholder and legitimacy theories may indicate that efforts such as FiRe Awards are bearing fruit. On the one hand, the low disclosure of sustainability matters does not support the adoption of integrated reporting, but on the other hand, the upward trend may provide support for the adoption of integrated reporting. Conversely, the adoption of integrated reporting may improve the disclosure of sustainability matters.

The minimum score (9.62%) and maximum score (98%) for sustainability disclosures are two extremes, showing a large range, therefore a significant difference in disclosures across companies. Compared to IFRS disclosures with a standard deviation of 4.5%, there is more variability in reporting sustainability matters, as reflected by the standard deviation at 19.7%. The significant variation in sustainability disclosures reflects the differences across companies with some companies doing extremely well and others poorly. A significant variation in sustainability disclosures, while not supporting stakeholder and legitimacy theories, may indicate a challenge of adopting integrated reporting. However, as discussed in the previous paragraph, may improve disclosures of integrated reporting, and possibly lead to consistency across companies.

The telecom, energy, and petroleum sectors are leading in sustainability disclosures. This is empirically supported because sectors like manufacturing disclose more especially on environmental impact as compared to service organizations like investments and insurance. Morhad (2010) reported a large variation in sustainability disclosures across different industries. This may provide an argument that if integrated reporting is to be adopted, then it needs to be sector-specific. Besides, if sustainability reporting is important for integrated reporting, then it also implies that firms in telecom, energy and petroleum sectors will likely have better disclosures of sustainability matters in their integrated reports.

The GRI sustainability guidelines have three pillars: economic, environmental, and social. Companies scored better in terms of the economic pillar, slightly better in terms of the social pillar and poorer in terms of the environmental pillar. One company

adopted the preparation of separate sustainability report using the GRI sustainability reporting guidelines from 2013, while two more adopted the principles, but did not label their reports accordingly. Key items that companies had a challenge with reporting under the different pillars are summarized in Table 5.1:

Table 5.1 Summary of Key Areas of Non-disclosure of Sustainability Matters

Economic	Environmental	Social
Market Presence	Energy	Labor management relations
Indirect Economic impacts	Water	Labor grievance mechanism
Procurement practices	Emissions	Non- discrimination
Materials	Compliance	Forced labor and indigenous rights
		Human Rights
		Anti-corruption practices
		Customer health safety

Appendix A-12 provides the sustainability requirements of the GRI. The GRI guidelines are more detailed than those required by integrated reporting with specific reference to intellectual, natural, and social capitals. Therefore, it is difficult to conclude how all the above areas of non-disclosure may affect the preparation of an integrated report. However, energy and water are part of natural capital, while labour management relations and customer health safety may be addressed under stakeholder relations. Based on the above discussions, IIRC should look to improve sustainability disclosures in integrated reporting by benchmarking with those of GRI or other detailed sustainability disclosures.

Corporate governance disclosure scores are high and have improved from 73.72% in 2010 to 81.56% in 2016. The possible reason for the high disclosures of corporate governance matters is the availability of corporate governance guidelines such as those of OECD and enforcement by local regulators such as CMA. Also, as discussed in Chapter Two, corporate governance disclosures are encompassed in the law and required by almost all the regulators. This finding supports theoretical literature especially agency and stakeholder theories. However, for empirical literature, most of the studies did not report the levels of disclosures with the corporate governance guidelines. Pahuja and Bhatia (2012) explained that listed companies in India have a lot of room for improvement but did not highlight levels where there was a lack of disclosures, while Samaha et al. (2012) reported a lack of compliance with various aspects of local corporate governance code. High corporate governance disclosures by NSE listed companies support the adoption of integrated reporting and if adopted, the integrated reports will have good quality corporate governance matters.

The corporate governance scores are trending upwards, though the growth in the trend is not significant. The trending disclosures as explained in the previous

paragraph is possible because of the law and enforcement by the regulators. This also means that companies are making efforts to improve their corporate governance disclosures. The results on trends support the study of Elmagrhi et al. (2016), which used the UK corporate governance combined code as the disclosure index.

The telecom, banking, and agriculture sectors have the highest disclosures of corporate governance disclosures while insurance, energy and petroleum though high, are lagging the other sectors. On insurance, the findings are not expected because insurance companies have multiple laws and regulators demanding corporate governance disclosures. Perhaps the focus for insurance companies is on disclosing financial information, where the sector ranked the best. These findings contribute to the empirical literature, and provide support for the adoption of integrated reporting by the telecom, banking, and agriculture sectors.

Corporate governance disclosures have a high variation. The minimum disclosure score was 22% and the highest was 100% showing a large variation in corporate governance disclosures. This is also confirmed by the standard deviation, which is high at an average of 19%. The results for corporate governance are interesting because, where we have guidelines for reporting such OECD corporate governance guidelines which are being enforced by regulators, it is expected that companies will have less variation in disclosures. Whereas corporate governance disclosure levels are high like those of IFRS, there is variation in disclosures like those of sustainability disclosures. This implies that non-financial information, with or without guidelines, will likely vary across companies. The findings on variation do not support theoretical literature for agency and stakeholder theories and no relationship with the available empirical literature. High variation in corporate governance may challenge the adoption of integrated reporting for some companies.

In terms of challenges in disclosing corporate governance matters, the majority of the companies did not disclose foreseeable risk factors, company objectives, and governance structures and codes and how the codes are implemented. In terms of risk disclosures, companies will likely report in IFRS, to avoid overlaps. However, banks and insurance sectors have detailed risk disclosures and discuss foreseeable risk factors in their corporate governance reports. For the governance structure, companies prefer to report those in the leadership position rather than detailed corporate governance structures except for a few of the companies that have integrated reporting adopters. As provided in the empirical literature, the majority of the authors did not provide the key areas of non-disclosures. If NSE-listed companies have challenges reporting foreseeable risk factors and governance structures, then this may reduce the quality of disclosures in integrated reports if adopted. However,

there is also an opportunity for companies to improve disclosures of these items if they adopt integrated reporting.

5.2.2 IFRS, Sustainability and Corporate Governance Disclosures and associated company Features

For ease of discussion, Table 5.2 on page 210 presents a summary of the signs and significance of the coefficients for the constructs and variables from the static econometric and dynamic econometric panel data models, showing the relationship between IFRS Disclosure Scores and the associated company factors.

According to Table 5.2 and giving attention to the significance and suitability of the models, size, sector, and age are the variables that have a positive relationship with IFRS disclosure scores. As provided in Chapter Two, empirical studies on disclosures report a positive association between size, sector, and IFRS disclosures. Large companies will probably have higher disclosures in their annual reports to be accountable to the many owners (agency theory) and enhance their reputation as per the stakeholder theory. Also, the type of sector influences disclosures because of regulation. This study, however, contradicts that of McFie (2010) which found a negative association between size and IFRS compliance. The difference in results may be because of methodological issues from the period of the analysis (the current study was longitudinal, while that of McFie (2010) was cross-sectional) and tools of analysis (the current study used static econometric models to Analyse the panel data, while that of McFie (2010) used multivariate OLS).

Table 5.2 IFRS Disclosure Scores and Associated Company Factors Summary Econometric Models Results

		Static Models			Dynamic Models			
		Random			Arellano-Bond		Arellano- Bover	
Variable	Description	Group	One-W	Two-W	1 Lag	2 Lags	1 Lag	2 Lags
Lag 1	Sign Significant?				+	-	+	+
					No	No	No	No
Lag 2	Sign Significant?					-		-
						No		No
Size (Total Assets)	Sign Significant?	+	+	+	+	+	+	+
		No	Yes	Yes	Yes	No	No	No
Return on Assets	Sign Significant?	-	-	-	-	-	-	-
		No	No	Yes	No	No	No	No
Auditor	Sign Significant?	+/-	+/-	+/-	Omit	Omit	Omit	Omit
		No	No	No				
Sector	Sign Significant?	+	+	+	Omit	Omit	Omit	Omit
		Yes	Yes	Yes				
Leverage Debt/asset	Sign Significant?	-	-	-	-	+	-	-
		No	No	No	No	No	No	No
Investor Div. Yield	Sign Significant?	+	-	-	+	+	+	+
		No	No	No	No	Yes	No	No
Investor Dividends Paid	Sign Significant?	-	+	+	-	-	-	-
		No	No	No	No	Yes	No	No
Board Size	Sign Significant?	+	-	-	+	+	+	+
		No	No	No	Yes	No	No	No
Non- Exec Directors	Sign Significant?	-	+	+	-	-	-	-
		No	No	No	No	No	No	No
Women on Board	Sign Significant?	-	-	+	-	-	-	-
		No	No	No	No	No	No	No
Foreign Ownership	Sign Significant?	-	-	-	Omit	Omit	+	+
		No	Yes	Yes			No	No
Age	Sign Significant?	+	+	+	Omit	Omit	-	-
		Yes	Yes	Yes			No	No
Block Shareholding	Sign Significant?	+	+	-	-	+	-	+
		No	Yes	Yes	No	No	No	No
Model Fit	The Lagrange Multiplier shows Random effects Suitable Model				Based on the Sargan test and Chi ² test, only the Arellano-Bond with 1 lag seems to be the best models			

The finding on age in this study also supports the studies of Al-Shammari et al. (2008) and Al-Shammari (2011) that established a positive and significant relationship between size and IFRS compliance. The rest of the studies (Glaum & Street, 2003; Juhmani, 2012; McFie, 2010), found no association between IFRS compliance and age. Apart from the sample size, and the longitudinal analysis, the differences in findings may be due to the model of analysis, as the three studies used multiple regression while the current study employed the panel data econometric models.

Before summarizing this section, this study has established that even though the majority of the auditors report a negative relationship with the IFRS disclosures, this is not a significant relationship. This result contrasts that of McFie (2010), which established negative and significant results but supports other empirical literature such

as Street and Gray (2002), Al-Shammari et al. (2008) and Ioannis (2009). As provided in Chapter Two, more than 90% of the listed companies in Kenya are audited by the “big-4”. One major result is that irrespective of the classification, the “big-4” audit firms do not outperform the “non-big-4” audit firms. Besides, some auditors reported positive while others reported negative coefficients, all of which were not significant.

Overall, the results suggest that large and mature listed companies in Kenya will likely report higher compliance levels with IFRS. Even though the results on size and sector support both the empirical and theoretical literature, the results for age only support the agency and possibly Signalling theories but not empirical literature. This may also indicate that large and mature companies will probably provide financial information relevant for linkage in an integrated report.

Again, for ease of discussion, Table 5.3 on page 213 provides a summary of the key variables comparing the results of the various models. From Table 5.3, size and foreign ownership are the only variables that are significantly positive with sustainability disclosures, while age is negative and significantly positive with sustainability disclosures. The results support almost all the empirical literature and theoretical literature for size. Despite the differences, country factors, nature of companies and tools of data analysis, size appears to be a significant factor for sustainability disclosures. In addition, given the results, according to the stakeholder and legitimacy theories, large companies will likely disclose more on sustainability matters to improve relations with stakeholders and confirm legitimacy.

**Table 5.3 Sustainability Disclosure Scores and the Associated Company Factors
Summary of Econometric Models Results**

		Static Models			Dynamic Models			
		Random Effects Model			Arellano-Bond		Arellano-Bover	
Variable	Description	Group	One-W	Two-W	1 Lag	2 Lags	1 Lag	2 Lags
Lag 1	Sign Significant?				+	+	+	+
					Yes	No	No	Yes
Lag 2	Sign Significant?					+		+
						No		No
Size (Total Assets)	Sign Significant?	+	+	+	+	+	+	+
		No	Yes	Yes	Yes	Yes	No	No
Return on Assets	Sign Significant?	+	+	+	+	+	+	+
		No	No	No	No	No	No	No
Auditor	Sign Significant?	+/-	+/-	+/-	Omit	Omit	Omit	Omit
		No	No	No				
Sector	Sign Significant?	+/-	+/-	+/-	Omit	Omit	Omit	Omit
		No	No	No				
Leverage Debt/asset	Sign Significant?	+	+	+	-	+	-	-
		No	No	No	No	No	No	No
Investor Div. Yield	Sign Significant?	-	-	-	-	-	-	-
		Yes	No	No	No	No	No	No
Investor Dividends Paid	Sign Significant?	+	+	+	-	-	-	-
		No	No	No	No	No	No	No
Board Size	Sign Significant?	+	+	+	-	-	-	-
		No	No	No	Yes	No	No	No
Non- Exec Directors	Sign Significant?	-	+	+	-	-	-	-
		No	No	No	No	No	No	No
Women on Board	Sign Significant?	+	+	+	-	-	-	-
		No	No	No	No	No	No	No
Foreign Ownership	Sign Significant?	+	+	+	Omit	Omit	Omit	Omit
		No	Yes	Yes				
Age	Sign Significant?	-	-	-	-	-	+	+
		Yes	Yes	Yes	No	No	No	No
Block Shareholding	Sign Significant?	+	+	-	-	-	-	-
		No	Yes	Yes	No	No	No	No
Model Fit		Recommended by the robust Hausman test and the Lagrange Multiplier.			Based on the Sargan test and Chi ² test, only the Arellano-Bond and Arellano-Bover 2 lags models to be preferred			

The current study has contributed to existing literature that companies owned by foreign shareholders will likely disclose more sustainability matters. McFie (2010) combined both governance and sustainability as voluntary disclosures and found that foreign ownership as positively significant despite using a cross-sectional and multivariate regression. Dilling (2010) found that countries in Europe will likely report more sustainability matters implying that countries whose majority shareholder is from Europe will likely require subsidiaries in other zones to report on sustainability matters. This also supports stakeholder and legitimacy theories. But empirical studies on age report mixed results. Whereas the current results support that of Shamil et al. (2014) regarding age, the results contradict that of Bayoud et al. (2010b) which established that age is positively related to sustainability disclosures. The mixed results could be

because of the period (the two studies used cross-sectional) while the current study used panel. Besides, the tools of analysis differ from the study of Shamil et al. (2014) using binary logistic regression and that of Bayoud (2010b) using multivariate regression. The sample size of Bayoud et al. (2010b) was small i.e. at 40 while that of Shamil et al. (2014) was 148. Additional studies that focus on foreign ownership and sustainability disclosures may be required to identify an appropriate relationship. The result of age does not support stakeholder and legitimacy theories. This is because, having more experience, it is expected that older companies will disclose more information in their annual reports.

Overall, the results imply that large companies and those with foreign ownership will likely make more sustainability disclosures, but mature companies will likely report lower disclosures on sustainability matters. The results on size support empirical and theoretical literature, while foreign ownership supports theoretical literature and, to some extent, the empirical literature. The result for age does not support theoretical literature and empirical literature is not conclusive.

This study has contributed to existing literature regarding sustainability scores being dynamic. The sustainability scores from the current period are positively correlated with sustainability scores for the previous period. Perhaps this could be because of companies working hard to improve their disclosures. This is also confirmed by the significant and positive trend of sustainability scores. Therefore, the results support theoretical literature, as companies are expected to improve on their sustainability disclosures as provided by stakeholder theories and legitimacy theories. Also, dynamic sustainability disclosures may provide support for the adoption of integrated reporting, or possibly the adoption of integrated reporting may increase the speed at which sustainability matters are reported in the annual reports of companies. However, this can only be achieved if IIRC improves the disclosures to the level of GRI sustainability guidelines.

Table 5.4 on page 214 provides a summary of the key relationship between corporate governance disclosure scores and the various models. Table 5.4 reports that size, the board size, and block shareholding have a positive and significant relationship with the corporate governance disclosure scores. The result of firm size and board size supports both empirical and theoretical literature on the agency, stakeholder, and legitimacy theories. Like in IFRS and sustainability disclosure scores, despite the different country contexts, sample size, disclosure indices, models of analysis, the association between corporate governance disclosure scores and size is positive in almost all the studies.

Table 5.4 Corporate Governance Disclosure Scores and the Associated Company Factors Summary Econometric Models Results

		Static Models			Dynamic Models			
		Random			Arellano-Bond		Arellano-Bover	
Variable	Description	Group	One-W	Two-W	1 Lag	2 Lags	1 Lag	2 Lags
Lag 1	Sign Significant?				+	+	+	+
					No	No	Yes	Yes
Lag 2	Sign Significant?					-		-
						No		No
Size (Total Assets)	Sign Significant?	+	+	+	+	-	+	-
		No	Yes	Yes	Yes	Yes	No	No
Return on Assets	Sign Significant?	+	-	-	-	-	-	-
		No	Yes	Yes	No	No	No	No
Auditor	Sign Significant?	+/-	+/-	+/-	Omit	Omit	-	-
		No	No	No				
Sector	Sign Significant?	+/-	+/-	+/-	Omit	Omit	+	+
		No	No	No				
Leverage Debt/asset	Sign Significant?	+	-	+	-	-	-	-
		No	No	No	No	Yes	No	No
Investor Div. Yield	Sign Significant?	+	-	-	+	+	+	+
		No	No	No	No	No	No	No
Investor Dividends Paid	Sign Significant?	-	-	-	-	-	-	-
		No	No	No	Yes	Yes	Yes	Yes
Board Size	Sign Significant?	+	+	+	-	-	-	-
		No	Yes	Yes	Yes	No	No	No
Non- Exec Directors	Sign Significant?	-	-	-	-	-	-	-
		No	No	No	No	No	No	No
Women on Board	Sign Significant?	-	+	+	-	-	-	-
		No	No	No	No	No	No	No
Foreign Ownership	Sign Significant?	+	-	-	Omit	Omit	+	+
		No	Yes	Yes			No	No
Age	Sign Significant?	-	-	-	+	+	-	-
		Yes	Yes	Yes	Yes	Yes	No	No
Block Shareholding	Sign Significant?	+	+	+	+	+	+	+
		No	Yes	Yes	No	No	No	No
Model Fit		Recommended by the robust Hausman test and the Lagrange Multiplier.			Based on the Sargan test and Chi ² test, only the Arellano-Bond 1 and 2 lags and Arellano-Bover 1 lag models to be preferred			

Large companies are expected to make higher corporate governance disclosures to be accountable to owners and other stakeholders and legitimize their existence. Meanwhile, despite the country differences, period, and tools of analysis the results on board size support the studies of Ben-Amar and Boujenoui (2007), Samaha et al. (2012), and Elmagrhi et al. (2016). The result of block shareholding does not support empirical (Ben-Amar & Boujenoui, 2007) and theoretical literature. As provided in Chapter Three, it is expected that a company with a block shareholder is not expected to have high disclosures in their annual reports because the block shareholder can access the information internally. In summary, large companies with a large board of directors and concentrated shareholding will likely make higher

disclosures of corporate governance disclosures and hence will support the adoption of integrated reporting.

Table 5.4 reports that profitability, foreign ownership, and age have a negative and significant relationship with corporate governance disclosure scores. Even though profitable companies and mature experienced companies should make more corporate governance disclosures from a theoretical perspective, the current study has established that this is not the case for NSE listed companies. On profitability, the empirical literature is not conclusive. Nearly all the empirical studies found no relationship between corporate governance and profitability. The finding on foreign ownership also contradicts both the theoretical and the empirical literature. In the studies of Barako et al. (2006) and McFie (2010), foreign ownership is positively associated with voluntary disclosures. Probably, the difference may be due to additional disclosures that relate to corporate governance matters. The current study analysed separately sustainability disclosures from corporate governance. From the empirical literature, it is expected that foreign ownership is associated with higher disclosures to enable effective monitoring. There is scant if at all, literature focusing on age and corporate governance disclosures. However, the finding on age does not support theoretical literature, because older, mature companies are expected to make more disclosures in their annual reports. Therefore, profitable companies, those that are foreign-owned and older companies will likely report lower corporate governance disclosures and thus provide less support for the adoption of integrated reporting.

Corporate governance disclosures are dynamic i.e. there is a strong relationship between current and subsequent period corporate governance disclosures. The reason for this, as explained before is that NSE listed companies may be making improvements in corporate governance disclosures which is explained by the positive trend. Besides, the trends may be due to efforts such as FiRe Award. This finding adds to the existing empirical literature and also supports the theoretical literature. This also implies that NSE listed companies will most likely continue to improve corporate governance disclosures in their integrated reports if adopted.

5.3 Integrated Reporting Disclosures and Associated Company Features

5.3.1 Integrated Reporting Disclosure Scores: Levels, Trends and Descriptive Statistics

Integrated reporting disclosure scores show on average higher scores, and an upward trend, from 60% in 2010 to 71 % in 2016. This means that NSE listed companies are already making disclosures to adopt integrated reporting, though with some room for improvement. The high integrated reporting disclosures are probably due to better financial information i.e. from high IFRS disclosures, high corporate governance disclosures, and the upward trend in sustainability disclosures. Also, it appears that efforts such as FiRe Award may also contribute to this growth in integrated reporting disclosures. This study has contributed to the existing literature by establishing the extent to which companies in an emerging economy like Kenya are making disclosures for integrated reporting. The findings also support theoretical literature especially agency and stakeholder theories in which it is expected that companies disclose more information to be accountable to all the relevant stakeholders.

Telecom, investments, energy and banking sectors lead in terms of integrated reporting disclosures, while agriculture, automobile, and accessories lag the rest of the sectors. This implies that telecom, investments, energy and banking sectors will most likely adopt integrated reporting while agriculture and automobile sectors may be slow to adopt integrated reporting. The findings also show that, in the year 2016, seven companies out of the sample of 50 have adopted integrated reporting, which is approximately 14%. Also, four companies out of the seven, claim that they have adopted integrated reporting. In comparison, Kass (2012), established an adoption rate of 58% for South Africa listed companies. The current study has established a lower adoption rate which probably is due to integrated reporting being voluntary in Kenya while integrated reporting is mandatory in South Africa. This difference in findings implies that the rate of NSE listed companies adopting integrated reporting may be lower, perhaps due to the challenges facing emerging markets.

There has been a significant increase in integrated reporting disclosures from 59% (2010) to 67% (2013), but the increase in integrated reporting disclosure scores from 67% (2013) to 71% (2016) is not statistically significant. Also, integrated reporting disclosure scores reported a significant variation at about 19% over the seven years. Given that IIRC launched the integrated reporting framework in 2013 to aid companies in integrated reporting, the small increase is contrary to what is expected. The current

study contributes to the existing literature on the levels of disclosures although Deloitte (2012) reported nearly similar results for companies on the Johannesburg Stock Exchange, where the quality of integrated reporting declined in the last quarter of analysis. The high variation in integrated reporting disclosure scores exhibits the same pattern as that of sustainability and corporate governance disclosure scores. The study has contributed to the empirical literature on the same. In summary, a low increase and significant variation in integrated reporting disclosures may raise a concern regarding the ability of NSE companies to adopt integrated reporting. If integrated reporting is adopted, then there may be an issue with the quality of the integrated report.

As explained before, even though the companies claiming adoption of integrated reporting in 2016 are very few, most of the companies make disclosures as required by integrated reporting and this explains the high scores of integrated reporting disclosures. Nevertheless, the lowest score was 6.52% and a maximum score of 100% because some adopters had challenges in some areas. Generally, key areas of non-disclosures for several companies include stakeholder engagement, outlook and projections of future performance, challenges that may arise in the future and how the organization is equipped to face these challenges, the business model including a logical narrative of the flow of business, and key performance indicators. A notable feature was that even for some companies that claim to have adopted integrated reporting, part of the disclosures required on the business model (for example on capitals – natural capital) and outlook (estimates of financial projections) were missing. On the business model, the results of the questionnaire indicated that preparers expressed concerns that it is information that is competitively harmful.

5.3.2 Integrated Reporting Disclosure Scores and Associated Company Factors

This section discusses the model results for integrated reporting disclosure scores with other company factors and incorporates IFRS, sustainability, and corporate governance disclosures.

These results are summarized in Table 5.5 on page 218 and discussions follow after the table.

**Table 5.5 Integrated Reporting Disclosure Scores and the Associated Company Factors
Econometric Models Summary Results**

		Static Models			Dynamic Models			
		Random			Arellano-Bond		Arellano- Bover	
Variable	Description	Group	One-W	Two-W	1 Lag	2 Lags	1 Lag	2 Lags
Lag 1	Sign Significant?				+	+	+	+
					No	No	Yes	No
Lag 2	Sign Significant?					+		+
						No		No
Size (Total Assets)	Sign Significant?	+	+	+	-	-	-	-
		No	Yes	Yes	Yes	No	No	No
Return on Assets	Sign Significant?	-	-	-	-	-	-	-
		Yes	No	No	No	No	No	No
Auditor	Sign Significant?	-	-	-	Omit	Omit	+	-
		No	Yes	Yes				
Sector	Sign Significant?	+	+	+	Omit	Omit	+	+
		No	Yes	Yes				
Leverage Debt/asset	Sign Significant?	-	-	-	-	-	-	-
		No	No	No	No	No	No	No
Investor Div. Yield	Sign Significant?	+	+	+	-	+	+	+
		No	No	No	No	No	No	No
Investor Dividends Paid	Sign Significant?	+	+	+	-	+	-	+
		No	No	No	No	No	No	No
Board Size	Sign Significant?	-	+	+	-	-	-	-
		No	No	No	No	No	No	No
Non- Exec Directors	Sign Significant?	+	-	-	+	+	+	+
		No	No	No	No	No	No	No
Women on Board	Sign Significant?	+	-	-	+	+	+	+
		No	Yes	Yes	No	No	No	No
Foreign Ownership	Sign Significant?	-	-	-	Omit	Omit	+	+
		No	Yes	Yes			Yes	Yes
Age	Sign Significant?	-	-	-	+	+	+	+
		No	No	No	Yes	No	Yes	Yes
Block Shareholding	Sign Significant?	-	-	-	+	+	+	+
		No	No	No	No	No	No	No
IFRS Disclosure	Sign Significant?	+	-	-	-	-	-	-
		No	No	No	No	No	No	Yes
Sustainability Disc.	Sign Significant?	+	+	+	+	+	+	+
		Yes	Yes	Yes	No	No	Yes	Yes
Corp. Gov. Disclosure	Sign Significant?	+	+	+	+	+	+	+
		Yes	Yes	Yes	Yes	Yes	Yes	Yes
Model Fit		Recommended based on the robust Hausman test and the Lagrange Multiplier.			Based on the Sargan test and Chi ² test, only the Arellano-Bover 2 lags model seems to be suitable.			

W* means way.

According to Table 5.5, size, sector, sustainability and corporate governance scores report a positive and significant relationship with integrated reporting disclosure scores. The findings on size and sector support both empirical and theoretical literature. Empirically, the results on size and sector support those of Isabel-Maria et al. (2013) which had a large sample of 1590 companies and was cross-sectional. Also, the positive association between sustainability and integrated reporting, even though

supports theoretical literature, empirical literature reports contrasting results. For example, Deloitte (2012) reported that despite the adoption of integrated reporting, companies still had challenges reporting sustainability matters such as ethical matters. Van Zyl (2013) also reported similar findings. However, as noted, in the section for sustainability disclosure scores, the reporting requirements for sustainability matters in the integrated reporting framework are not as detailed as those of GRI. Nevertheless, a positive and significant association between integrated reporting and sustainability disclosures implies that to some extent integrated reporting may improve the disclosures of sustainability matters, which may suggest that integrated reporting should be adopted by NSE listed companies. Meanwhile, the positive association between corporate governance and integrated reporting may also support theoretical literature and empirical literature. The key conclusion is that corporate governance is an important prerequisite for integrated reporting. High corporate governance disclosures coupled with a positive association between corporate governance disclosures and integrated reporting may provide strong grounds for NSE listed companies to adopt integrated reporting.

For sector, the telecom, investment, insurance, and banking sectors lead in terms of integrated reporting disclosures. Therefore, the type of sector plays an important role in the adoption of integrated reporting. This supports empirical literature (Deloitte, 2012). The reason why the sector may influence the adoption of integrated reporting like in the case of Kenya's listed companies is because of the strict regulation in the banking and insurance sectors.

Meanwhile, profitability, the proportion of women on board, and foreign ownership report a negative and significant relationship with integrated reporting disclosure scores. These findings do not support theoretical literature such as agency theory and stakeholder theories on board diversity and foreign ownership. For profitability, the findings do not support the study of Isabel-Maria et al. (2013) that found a positive association between profitability and integrated reporting. The findings on the proportion of women on board and foreign ownership add on to empirical literature. For the proportion of women on board, the negative association with integrated reporting may require further research. Foreign ownership and negative association with integrated reporting may have possible explanations. Maybe the parent is domiciled in a country where integrated reporting has not been adopted or the principles are not observed, and hence may not demand the company to adopt integrated reporting. Like in the case of other disclosures, most likely profitable companies do not have an incentive to make more disclosures to explain profitability.

Another result from Table 5.5, is that even though there is a positive relationship between IFRS disclosures and integrated reporting, this is not significant. From a theoretical perspective, integrated reporting, linking both financial and non-financial information, should have a positive and significant association with financial information. The current study has found a positive and significant relationship between integrated reporting and sustainability disclosures and corporate governance only and not IFRS disclosures. The findings may suggest that even though IIRC claims that integrated reporting aims to link both financial and non-financial information, the results do not support the claim. Also, the results may imply that integrated reporting emphasizes on non-financial information disclosures than the link with financial information. This finding adds to the existing empirical literature.

Table 5.5 reports that integrated reporting disclosures are dynamic. This supports theoretical literature and contributes to the existing literature. Besides, the table also provides that current period sustainability and corporate governance disclosures have a relationship with subsequent period integrated reporting disclosures. Most likely, the results are in line with the findings in the previous section where integrated reporting had a positive and significant association with sustainability and corporate governance scores. Theoretically, companies are expected to improve on sustainability and corporate governance disclosures and hence a dynamic relationship. Also, the implication is that dynamic integrated reporting disclosures and the relationship with sustainability and corporate governance disclosures provide support for the adoption of integrated reporting by NSE listed companies.

In summary, these findings suggest that large companies, those in telecom and financial services, and those companies that report high corporate governance and sustainability will likely adopt integrated reporting. This supports both empirical and theoretical literature. Because integrated reporting disclosures are dynamic, NSE listed companies will likely continue to improve on their integrated reporting disclosures. This contributes to the empirical literature. Meanwhile, more profitable companies, those with a higher proportion of women on board and those that are foreign-owned will likely not adopt integrated reporting. This finding does not support empirical and theoretical literature.

5.3.3 Summary Discussion on IFRS, Sustainability, Corporate Governance, and Integrated Reporting Disclosures

5.3.3.1 Corporate Reporting Levels, Trends and Descriptive Statistics

IFRS disclosure scores are high, sustainability disclosure scores are low, corporate governance scores are high and integrated reporting scores are high. All the scores are on an upward trend, with those of sustainability and integrated reporting being significant. The possible reasons for the results have been discussed in section 5.3.2 with the IFRS and corporate governance disclosure scores being high due to legal and professional reasons. Low disclosure levels and trends in sustainability disclosures are explained by possibly a lack of awareness of the GRI guidelines, and for those preparers who are aware, maybe a lack of goodwill to implement the GRI sustainability disclosures. Recall in Chapter Two, there is a less legal and professional emphasis on sustainability disclosures. For high IFRS disclosure theories, the findings support agency and stakeholder theories and Signalling theories. High corporate governance disclosures and trends the findings support the agency, stakeholder, and legitimacy theories. With regards to sustainability disclosure scores, the findings only support stakeholder and legitimacy theories only to the extent of the trends, but not the levels.

The findings suggest that high levels and trends in IFRS disclosures and upward trends in sustainability disclosures may support the adoption of integrated reporting by NSE listed companies. Overall, the quality of integrated reporting disclosures may be affected by the low disclosures of sustainability matters.

5.3.3.2 IFRS, Sustainability, Corporate Governance and Integrated Reporting Disclosures by Sector

The disclosure scores for all the areas of corporate reporting for the various sectors and their ranking are summarized in Table 5.6 on page 222.

Table 5.6 Summary of Corporate Reporting Disclosure Scores and Rankings by Sector

Sector	IFRS		Sustainability		Corporate Governance		Integrated Reporting	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Agriculture	79.66%	10	23.37%	7	80.42%	3	48.85%	10
Auto & Accessories	83.34%	9	26.65%	6	72.22%	8	54.04%	9
Banking	91.44%	4	28.92%	5	82.15%	2	69.55%	4
Commercial & Services	88.32%	7	20.21%	9	78.58%	4	59.69%	8
Construction & Allied	85.09%	8	33.10%	4	77.46%	6	67.60%	5
Energy & Petroleum	89.67%	6	37.75%	2	72.07%	9	75.05%	3
Insurance	93.62%	1	22.73%	8	69.44%	10	67.07%	6
Investments	91.26%	5	19.43%	10	78.57%	5	79.30%	2
Manufacturing and Allied	92.47%	3	36.42%	3	74.35%	7	63.76%	7
Telecom & Technology	93.30%	2	55.72%	1	100.00%	1	99.69%	1

Table 5.6 shows that the telecom sector is leading in nearly all aspects of Corporate Governance and Sustainability disclosures while the financial sector like investments and insurance are leading in financial (IFRS) disclosures. The rankings for all disclosures are statistically significant. The findings support both empirical and theoretical literature regarding the importance of sectors in disclosures. Sectors like insurance and banks are highly regulated as expected under the agency theory. Also, the findings support empirical studies of Street and Gray (2002), Juhmani (2012), Dilling (2012), and Isabel-Maria et al. (2013).

The difference in rankings of sectors for both financial and non-financial sectors may imply that the efforts by regulators to suggest improvements in corporate disclosures should consider the sectorial differences. The fact that integrated reporting requires linkage between financial and non-financial information, some sectors may perform well, while others may experience a challenge and result in differences in the quality of integrated reporting by sector. The findings also imply apart from the telecom sector, no other sector dominates others on disclosures of financial and non-financial information. The conclusion about the telecom sector should be taken with caution as it was only one company in the sector.

5.3.3.3 IFRS, Sustainability, Corporate Governance, and Integrated Reporting Disclosures and the Associated Company Factors

Table 5.7 on page 223 provides a summary of the key variables and relationship with various disclosure scores for all the four areas based on the discussions in section 5.3.2. For the disclosures, the information has been obtained from the correlation analysis.

In terms of hypotheses development and conclusion Table 5.8 provides the overall conclusions:

Table 5.7 Summary Hypotheses and Conclusions

Variable	Hypothesis (Association with disclosures)	IFRS Disclosures	Sustainability Disclosures	Corporate Governance Disclosures	Integrated Reporting Disclosures
Size	H1: Positive Relationship	Supported	Supported	Supported	Supported
Profitability	H2: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Type of Auditor	H3: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Sector	H4: Positive Relationship	Supported	Not Supported	Not Supported	Supported
Leverage	H5: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Investor value/Growth Opportunities	H6: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Board Size	H7: Positive Relationship	Not Supported	Not Supported	Supported	Not Supported
Board Independence	H8: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Board Diversity	H8: Positive Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Ownership	H9: Positive Relationship	Not Supported	Supported	Not Supported	Not Supported
Ownership Concentration	H10: Negative Relationship	Not Supported	Not Supported	Not Supported	Not Supported
Age	H11: Positive Relationship	Supported	Not Supported	Not Supported	Not Supported
IFRS Scores, Sustainability Scores and Corporate Governance Scores	H12: Positive Relationship with Integrated Reporting				Supported only to the extent of Sustainability and corporate governance

Table 5.7 highlights that across all the disclosures, size is the only company feature whose hypothesis is supported, meaning there is a positive relationship between size and all the disclosures. Table 5.8, on page 224, therefore, provides the conclusion with the implication discussed thereafter.

Table 5.8 Summary of Corporate Reporting Disclosure Scores and Association with Company Factors

Factor	IFRS Disclosures	Sustainability Disclosures	Corporate Governance Disclosures	Integrated Reporting Disclosures
Size	Positive*	Positive*	Positive*	Positive*
Profitability	Negative	Positive	Negative*	Negative
Type of Auditor	Not Conclusive	Not Conclusive	Not Conclusive	Negative*
Type of Sector	Positive*	Not Conclusive	Not Conclusive	Positive*
Leverage	Positive	Positive	Positive	Positive
Growth Opportunities	Positive	Positive	Negative	Positive
Board Size	Negative	Positive*	Positive*	Positive
Board Independence	Positive	Positive	Negative	Negative
Board Diversity	Negative	Positive	Positive	Positive
Ownership	Negative	Positive*	Negative*	Negative*
Age	Positive*	Negative*	Negative*	Positive
Concentrated Shareholding	Positive	Positive*	Positive*	Negative
IFRS Disclosures	N/A	+ Correlation	+ Correlation	Positive
Sustainability Disclosures	+ Correlation	N/A	+Correlation*	Positive*
Corporate Governance	+ Correlation	+ Correlation*	N/A	Positive*
Scores for one lag	Positive	Positive	Positive*	Positive*
Scores for two lags	Negative	Positive*	Positive	Positive

*Means overall significant at 5% (For lags, significance is given from Arellano-Bover Dynamic Estimator)

Tables 5.7 and 5.8 shows that size is the only variable that is positive and significant across all the disclosures. Therefore, in terms of different company variables, large companies will likely disclose more financial and non-financial information. This result supports both the theoretical and empirical literature. Meanwhile, in terms of other financial and non-financial information, a challenge arises because the rest of the variables are not conclusive. It appears that different variables provide different positions on the provision of financial and non-financial disclosures. This is an important finding as it means that other than size, it is not clear which company factors contribute to faster adoption of innovations in corporate reporting such as the adoption of integrated reporting.

5.4 Perspectives of Preparers, Regulators and Users

5.4.1 The Perspectives of Preparers

More than 70% of the participants responded that their companies prepare sustainability reports and those in the banking sector added a risk management review report. Also, all participants are aware of the OECD/CMA corporate governance guidelines, and 60% of the participants stated they are aware of the GRI sustainability guidelines. Even though participants are concerned about the time required and the costs of preparing sustainability reports, more than 65% of the participants think that sustainability reporting should be made mandatory. These findings generally support stakeholder theories and legitimacy theories, but empirically the responses are not reflected in the sustainability disclosures. Despite the participants claiming to be aware of GRI sustainability guidelines, the costs and time required may hinder the disclosures of sustainability matters. Besides, in the challenges to corporate reporting, companies reported limited data due to a lack of proper systems for sustainability reporting. However, the fact that preparers feel that there are gaps in reporting sustainability matters that should be improved may provide support for the adoption of integrated reporting. The challenges of limited data and lack of proper metrics will need to be overcome.

Preparers think that improvements in corporate reporting should be led by regulators and the law, with support from professional bodies. Most likely, the reason for this position is that companies will likely make more disclosures if they are compelled by the law and enforced by regulators. This finding supports both the agency and stakeholder theories and contributes to the empirical literature. It is also important, as it implies that if IIRC is to promote the adoption of integrated reporting, for emerging markets, the best approach will be to revise the laws and have regulators compel companies to apply the same, as argued by Adhariani and de Villiers, 2019. This approach has been used in South Africa, but it is not clear if it is possible for emerging markets like Kenya. In Chapter Two on the regulatory framework, Kenya revised its Companies Act that came into operation in 2015, but the regulators did not incorporate integrated reporting as part of the reports that companies should prepare.

More than 60% of the participants indicated that their companies have adopted or are planning to adopt integrated reporting. The main reasons for adopting integrated reporting are due to the perceived benefits of meeting investor needs, improving brand equity, and learning more about the business model. This finding supports both agency and stakeholder theories and empirical literature (IIRC, 2012; Steyn, 2014). These reasons, despite arising from the context of an emerging market, where integrated

reporting is voluntary may provide support for companies to adopt integrated reporting. Also, the study provides more empirical evidence of challenges faced by those companies that have adopted integrated reporting ranging from a very detailed reporting process, extended reporting preparation time, and challenges in obtaining data for preparation of integrated reporting.

All preparers agree with the definition of integrated reporting as recommended by IIRC, though preparers depict subtle differences in the meaning of integrated reporting. Also, more than 50% of the preparers prefer an integrated report to be a standalone report, rather than an additional report. The difference in meanings and preference for integrated reporting may imply that IIRC and other advocates of integrated reporting need to consider, whether the title for integrated reporting is appropriate. Integrated reporting should probably be a guideline or principle rather than a title. Also, an integrated report should be a single report rather than an addition to other reports, which contradicts the current position taken by IIRC of companies having an option to have a separate integrated report in addition to reports such as management commentary.

The majority of the participants agree with the classification of capitals as per the framework and explained that the capitals are relevant for their companies. This may support the theoretical literature on the agency, stakeholder and legitimacy theories, and contribute to the empirical literature. This finding indicates that the concept of capital as posited by IIRC has strong support from preparers. Therefore, companies should provide more details on the six capitals: financial, manufactured, intellectual, human, social and relationships, and natural. Also, it implies that preparers are willing to make more disclosures on sustainability matters as given by social, relationships, and natural capitals. However, the study of Haji and Hossain (2016) established that companies in South Africa are disclosing integrated reporting capitals as public relations rather than to demonstrate value addition. Therefore, whether the disclosure of capitals by NSE companies will be useful, requires further studies conducted over time.

Like in the case of capitals, preparers also think that the integrated reporting principles are achievable. These principles: Strategic Focus, Connectivity of Information, Stakeholder relationships, Materiality, Conciseness, reliability and Completeness and Consistency, and comparability. Even though the response on relevance was overwhelming, a few preparers had concerns with the connectivity of information, materiality, and conciseness. This implies that IIRC will need to provide more guidance and clarity on how the three principles may be achieved. As explained also from the empirical discussion in Chapter Two, the three items can be a challenge

to achieve. For example, Brennan and Gray (2005), explain that materiality is subjective as management and auditors decide on the information to be provided in the financial statements. Likewise, Hrasky and Smith (2008) established that achieving conciseness is a challenge for many companies.

This finding on the integrated reporting principles being relevant adds on to the existing empirical literature. Besides the slight reservations on connectivity, materiality, and conciseness, findings suggest that the principles as recommended by IIRC are achievable. If preparers accept the principles, then this provides support for the adoption of integrated reporting.

The preparers also agreed with all the content elements of integrated reporting, but with reservations about the possibility to provide competitive information. The preparers also think that the content is sufficient: Organizational Overview and External Environment, Governance, Business Model, Risks and Opportunities, Strategy and Resources, Performance, and Outlook. The preparers, however, think that the business model and strategy and resources will provide competitively harmful information as discussed in Chapter Two (Ferreira & Rezende, 2007). The findings also contribute to the empirical literature. This also implies that the two content elements will likely have lower quality disclosures if integrated reporting is adopted by NSE listed companies.

Statistically, given the context of an emerging market like Kenya, there is no single factor that will influence the adoption of integrated reporting, and also no single factor that is a barrier to the adoption of integrated reporting. By ranking, improving trust with stakeholders and meeting investor needs are the most important. This finding, despite not being significant, supports the agency, stakeholder, and legitimacy theories. Also, the finding supports the study of Steyn (2014). Provision of information to competitors and the clarity of the person to prepare the integrated report to appear to be the major barriers based on ranking only. Also, the participants felt that the factors and barriers to integrated reporting as provided by IIRC are sufficient.

Finally, more than 90% of the preparers think that adopting integrated reporting will improve corporate reporting by NSE listed companies. This finding supports agency and stakeholder theories, as well as empirical studies (IIRC, 2010). The possible reason for this finding is that preparers think that there are gaps in the current reporting and possibly, integrated reporting may address the gaps. However, only about 55% of preparers feel that integrated reporting should be mandatory, with this number not being significant. This finding shows that integrated reporting has support from preparers in an emerging market like Kenya, with an inclination towards mandatory adoption.

5.4.2 The Perspectives of Regulators

The participants from the regulators were all experts and had sufficient knowledge regarding regulation and corporate disclosures. This was important in providing valuable feedback for the study. Like in the case of preparers, regulators think that NSE listed companies are not making sufficient disclosures on sustainability matters. If regulators have also pointed gaps in sustainability reporting, then this may provide support from a regulatory point of view for the adoption of integrated reporting.

Regulators reported key challenges in the regulation of corporate reporting: Multiple reporting requirements, overlap in regulation, poor coordination of corporate reporting regulation, poor disclosures by companies citing high costs of compliance, slow pace of updating reporting guidelines and little effort by companies to improve their corporate reports given feedback in forums such as FiRe Award. In terms of the empirical literature, this study has highlighted the challenges of regulation from an emerging market perspective. Also, these challenges faced by regulators may be a barrier to the adoption of integrated reporting. Alternatively, as proposed by IIRC, integrated reporting may address these challenges for example by harmonizing regulation.

All the regulators are aware of integrated reporting and agree with the definition, although like preparers, exhibited minor differences in the meaning of integrated reporting. As explained, this difference in perception of what integrated reporting means requires IIRC to revisit whether it should be a label or a guideline in preparing an annual report. This finding adds on to empirical literature on integrated reporting from a regulatory perspective.

All the regulators think that integrated reporting will not harmonize regulation. The main reason was that each regulator enforces its legal mandate. This finding is a contribution to empirical literature and provides the counterclaim from IIRC that integrated reporting will harmonize regulation. The possible reason why integrated reporting may not harmonize regulation, given the context of an emerging market and possibly others is that a regulator will likely want to be relevant, despite the overlaps in roles. Besides, it is also likely that changing laws to enable harmonization of corporate reporting may be difficult or take time.

All the regulators think that integrated reporting will improve corporate reporting, especially on sustainability matters, albeit some challenges. For listed companies in Kenya to successfully adopt integrated reporting, companies must be willing to adopt the contents as given by the framework. Besides, capacity building, changes in the laws, and user sensitization is required. However, due to challenges in

adopting integrated reporting by companies such as a lack of benchmarks to support non-financial disclosures, regulators suggest that the adoption of integrated reporting will require time. A major requirement by the regulators is that integrated reporting must be sector-specific. For this reason, all the regulators agree that integrated reporting should be adopted voluntarily. These findings add on to the empirical literature, that regulators from an emerging market perspective, are open to the adoption of integrated reporting. The findings also contribute to the empirical literature and also show support for agency and stakeholder theories from a regulatory perspective.

5.4.3 The Perspectives of Users (Analysts)

Most of the equity analysts have an average of 9 years of experience with equity investment analysis. This maturity in the analysis was important for providing information for the study, especially on the relevance of integrated reporting. To make investment decisions, equity analysts supplement corporate reports with other sources such as meetings with management, and other data developed within the firm as a result of past research (financial metrics, data about industry, and the economy). Information relevant for analysts to make investment decisions in annual reports is mainly the financial information (from financial statements), non-financial information (management discussions and analysis – MDA), and corporate governance reports, with a few using sustainability reports. This finding supports agency and Signalling theories and confirms that improvements in disclosures are useful for analysts, hence the case for adoption of integrated reporting by listed companies.

Even though analysts find financial reports, management discussion and analysis, and corporate governance reports to be useful, sustainability reports are, however, less useful. On the one hand, this finding supports agency theory and Signalling theory to the extent of financial reports and corporate governance reports and management discussion and analysis. On the other hand, the stakeholder theory is not supported because users find sustainability reports to be less useful. This finding does not support empirical literature on the growing interest of ESG investing (see Arjaliès, 2010). Perhaps, the lack of interest in sustainability matters could be explained by a lack of experience or expertise in incorporating sustainability disclosures in equity screening models.

The analysts also find that the disclosures of financial information and corporate governance, even though varies across companies, are high and improving. However, the analysts expressed concerns about the availability of both interim and annual reports. Besides, analysts require interim reports to be more detailed,

management discussions need improvements made on the depth of analysis and discussion, and even though not useful, sustainability matters are not well captured in the annual reports of companies. But, despite the importance of corporate governance and management discussions, the analysts stated that their equity screening models are biased towards quantitative and financial metrics. The current findings also support agency and Signalling theories in addition to contributing to the empirical literature. In suggesting the adoption of integrated reporting, regulators will need to address these valid concerns for users. Users also suggest that corporate governance and management discussions be made mandatory, but not sustainability reporting. This is in contrast to the perspectives of preparers, where a small majority supports mandatory reporting of sustainability reporting.

All the analysts are aware of integrated reporting. They also agree with the definition of integrated reporting, but they have slight differences in the meaning of integrated reporting. The majority of analysts feel that even though integrated reporting requires companies to increase disclosures, there is no substantial improvement in the quality of reporting, necessary for investment decisions. Also, even if integrated reporting improves the quality of sustainability matters, this information is not relevant for investment decision making. This finding does not support agency and Signalling theories where it is expected that integrated reporting enables companies to demonstrate value addition to the owners and other stakeholders. Empirically, the findings also support those of Gasperini et al. (2013) who found that financial analysts have limited knowledge about integrated reporting. This finding also implies that IIRC will need to put in more effort to demonstrate how integrated reporting is useful to users and the rationale for companies to adopt.

Just like in the study of Slack and Tsalavoutas (2018), other than making information easily available, users do not think that integrated reporting will lead to substantial changes in the investment process and equity screening models. Also, the majority of the analysts reported a challenge in understanding how companies create value; is it by profitability or due to an increase in the stock price? This finding adds on to the empirical literature from an emerging market perspective, and it shows little support for agency and Signalling theories. Possibly, IIRC will need to consult more on how integrated reporting can improve the investment process for users. This may call for further research and consultation forums.

Users are of the view that integrated reporting should be adopted voluntarily. However, the adoption is only because it will enable companies to avail more information, but not to necessarily improve investment decisions. Like in the study of Gasperini et al. (2013), the analysts feel that integrated reporting may standardize the

disclosure of non-financial information. The users explained that, though in the future, sustainability matters may be considered in the investment process. Even though companies will reveal too much information by adopting integrated reporting, analysts feel that management may not be willing to disclose sensitive information. Also, the concern by users is about the timeliness of the reports. Currently, companies are not availing their interim and annual reports on a timely basis and analysts fear that the adoption of integrated reporting may delay the availability of the reports further. These findings add to the empirical literature. The findings may support the Signalling theory to some extent because users are open to the adoption of integrated reporting, but pose a challenge because, whereas IIRC claims that integrated reporting enables companies to signal value addition, the fact is that users do not perceive value addition from adopting integrated reporting.

5.4.4 Overall Perspectives of Preparers, Regulators and Users

Table 5.9 on page 232 provides a summary of the feedback from preparers, regulators, and users. Table 5.9 suggests that preparers and users share the same perspectives on current and integrated reporting. With regards to current reporting, both preparers and users feel that there are gaps and challenges and that integrated reporting, will likely improve current reporting. The main gap is in the disclosure of sustainability matters. This is important, as consensus provides an argument for the adoption of integrated reporting from the preparers' and users' perspectives.

For an emerging economy like that of Kenya, feedback from preparers also shows that the regulators and laws are essential in enhancing the quality of corporate reporting and disclosures. Therefore, this study has various implications for regulators. If stakeholders wish to improve on disclosures of sustainability matters in annual reports, then this should be provided within the law and enforced by regulators. Besides, bodies like GRI may not be successful in encouraging the adoption of sustainability reporting, therefore IIRC will also have a challenge convincing companies to adopt integrated reporting, unless this is enforced by regulators, through the laws.

Table 5.9 Summary Feedback from Preparers, Regulators and Users

Area	Preparers	Regulators	Users (Analysts)
Current reporting			
Gaps	There are inadequate disclosures of sustainability matters and low-quality sustainability reports	Even though quality of financial information is high, there are gaps in non-financial information such as sustainability reporting	High disclosures of financial information, but low- quality interim reports and low depth of non- financial information such as management reports and corporate governance
Challenges	Lack of metrics for sustainability reporting due to inadequate systems and multiple reporting requirements	Multiple reporting requirements and overlaps in regulation responsibilities	Annual reports and interim reports for some companies are not timely and not easily available.
Integrated reporting			
Aware	All preparers are aware about IR	All regulators are aware about IR	All analysts are aware about IR
Definition	All preparers agree with definition of IR	All regulators agree with the definition of IR	All analysts agree with the definition
Meaning	The preparers gave different but the same themes of meaning of IR	The regulators gave different but the same themes of meaning of IR	The analysts gave different but the same themes of meaning of IR
Benefits	Key benefit of IR is improving trust with stakeholders and value to shareholders	They agree IR is beneficial to improve non- financial information but may not harmonize regulation of corporate reporting	Agree it is beneficial, but only to the extent that it will avail more information. But IR will not improve the investment process
Barriers	Provision of information to competitors as key the barrier	IR must be sector specific. It may also be costly for preparers and users require time to learn how to analyze IR	It might take a long time to make the information available. The costs might also be high for preparers.
Mandatory/Voluntary	Mandatory with a small margin (55%) of the preparers, which is not statistically significant	Majority of regulators prefer voluntary adoption	Should be voluntary, but with emphasis on management discussions and analysis and corporate governance (not sustainability)

Table 5.9 also highlights key differences in the opinions between preparers and users for both current and integrated reporting. First, even though there are gaps in reporting of non-financial information in the current reports, preparers think that the gap is in sustainability reporting. However, users feel that the gaps are in the quality of management discussion and analysis and interim reports, for which they complement by seeking additional insights into a company’s performance by meeting management. Users also find sustainability reporting to be less relevant in their investment process, with the equity screening models used by analysts focusing more on financial metrics

but using judgment in non-financial information. Maybe this could be due to a small pool of companies (65) to select equities to invest. Secondly, even though preparers feel that challenges to current reporting include lack of metrics and other guidelines for sustainability reporting in addition to multiple regulations, users feel that access to timely and relevant information is the key challenge. This difference could question the adoption of integrated reporting. It appears that integrated reporting has to address the concerns of both parties if it is to be successfully adopted. For example, the quality of management discussions in an integrated report may need to be improved, in addition to sustainability reporting.

Regulators, like preparers, also think that integrated reporting will enhance transparency in the annual reports of companies, but they point out that this is possible only if companies are willing to make more disclosures. The disclosures must also be sector-specific and meet the regulatory requirements; they add that cost and other implications will need to be assessed and the perspectives of various stakeholders obtained. However, regulators' perspectives on integrated reporting differ from those of users. Users do not find integrated reporting as having more value than current reporting. If the CMA suggests that integrated reporting is adopted, this may make it easier for regulating and benefit companies but not the users.

The above discussions extend on available empirical literature. Given the context of an emerging market like that of Kenya, regulation may still be a challenge to improving corporate reporting with innovations such as integrated reporting. Also, regulators' perspectives seem to be in line with those of preparers, but contrast those of users in terms of adoption of integrated reporting. Even though regulators "welcome innovations in corporate reporting" so long as "they improve disclosure and enhance transparency", the adoption of integrated reporting in an emerging market like Kenya may take time to be realized. This is especially due to multiple reporting, multiple regulations, lack of harmonized regulation, a lack of willingness to harmonize regulation, and little legal support for integrated reporting. Further empirical studies can be carried out to establish the best way regulation can be improved or reviewed to enable the adoption of innovations in corporate reporting.

5.5 A Discussion on Other Emergent Findings and Results

5.5.1 Listed Companies and Information Reported in the Websites

Of the companies that were listed in early 2018, only 84% had a website. Therefore, about 16% of the listed companies fail to comply with section 316 of the new Companies Act, which requires a listed company to have a website. The

companies also fail to comply with Section 751 which requires a listed company to have the latest financial statements available on its website. This may be an indication of a lack of awareness of the law by both companies and/or challenges in enforcing the law. According to the Companies Act, the directors of these companies face possible fines amounting to sh.500,000 or \$5,000. Lack of websites by these companies may also imply low ability or uptake to present information required for integrated reporting and achieve other linkages as required by the integrated reporting framework.

Further analysis shows that all the companies with a website had annual reports provided in the investor relations section with nearly 72% of the companies having annual reports of more than 5 years and more than 80% having from 10 years or more. This implies that both local and foreign investors and other analysts can have a clear historical picture of the company's performance. Also, this is important as an input in the integrated report, linking current and past performance.

More analysis showed that the information on the history of the company and the company's products is popular, followed by corporate governance, but less information on sustainability matters. This finding confirms that there are challenges in disclosing sustainability matters in both the annual reports and websites. If companies are to adopt integrated reporting and capture sustainability matters well, then relevant stakeholders need to devise means of encouraging sustainability reporting. However, the availability of non-financial information in many companies' websites provides possible support for the adoption of integrated reporting.

5.5.2 Results of Variables and Constructs from PCA, Multicollinearity Test and Correlation Analysis

The results of Principal Component Analysis (PCA) and multicollinearity test presented interesting findings that may have practical empirical implications for future studies in emerging markets like those of Kenya. Table 5.10 provides a summary of the actions taken on variables and their relevant constructs.

Table 5.10 Summary Results of Principal Component Analysis and Multicollinearity Tests on Variables and Constructs

Variable	Construct	Action
Size	Total Assets	Retained and used in analysis
	Revenue	Eliminated at Multicollinearity Test, and highly correlated with total assets
	Market Capitalization	Eliminated at PCA
Profitability	Profit After Tax	Eliminated at PCA
	Return on Equity	Eliminated at Multicollinearity Test, and high Correlated with Return on Assets
	Return on Assets	Retained and used in Analysis
	Earnings Per Share	Eliminated at PCA
Auditor	Dummy for Type of Auditor	Retained and used in analysis
Sector	Dummy for Type of Sector	Retained and used in analysis
Leverage	Debt/Total Assts	Retained and used in analysis
Investor Value/ Growth opportunities	Dividend Yield	Retained and used in analysis
	Dividends Paid	Retained and used in analysis
	Cash Flow from Operations	Eliminated at PCA
	Price to Book	Eliminated at PCA
	Price Earnings	Eliminated at PCA
Board Size	No of Directors	Retained and used in analysis
Board Composition	Proportion of Non-Executive directors	Retained and used in analysis
	Proportion of No. of women on Board	Retained and used in analysis
Ownership	Dummy for Foreign or Local	Retained and used in analysis
Age	Age	Retained and used in analysis
Concentrated shareholding	Block Shareholding	Retained and used in analysis

Table 5.10 shows that revenue is highly correlated with total assets. This likely implies that revenue and total assets are mutually exclusive constructs for size. From the PCA results, total assets and revenue may also rank before market capitalization. Therefore, researchers using size as a variable in their studies in emerging markets like Kenya may consider total assets, revenue, and market capitalization, in that order.

For profitability, profit after tax and earnings per share, are poor constructs, while return on equity and return on assets appear to be more useful. Due to multicollinearity, return on equity and return on assets may be used interchangeably. The two constructs may also need to be checked for correlation before they are included in the same model of analysis.

As suggested by Ohlson (1995), Price-to-Book Value, Price Earnings Ratio and Cash Flow from operating activities as important variables for measuring investor value/growth opportunities, the analysis shows that they may not be reliable constructs. Dividend Yield and Dividends Paid, will likely be better constructs, but this may depend on the nature of data and other tools of analysis.

However, in selecting constructs to measure variables for size, profitability and investor value in similar markets, consideration may need to be given to other factors such as theory, empirical studies, country context, industry/sector, company features and tools of analysis.

The results of the correlation provided, for the remaining constructs also present findings, some of which support, while others contradict the results of the static econometric panel data models. For example, integrated reporting disclosures scores report a positive and significant association with sustainability and corporate governance scores, the findings being similar to those of static econometric panel models. However, whereas integrated reporting is positively and significantly correlated with IFRS disclosure scores, the econometric models reported a positive association, but not significant. Correlation analysis also reports a positive and significant association between sustainability and corporate governance scores. This difference may arise because of the interaction with additional variables in the econometrics model. Correlation analysis, like econometric model analysis, confirms a positive and significant association with all the corporate reporting disclosures, which also supports empirical and theoretical literature.

Empirically, the correlation analysis reports various features for companies in an emerging market like that of Kenya. Large companies will likely have higher profitability, higher leverage, pay more dividends, have a larger board, more independent directors, more women on board, and are mature. Companies with concentrated shareholding will likely have lower IFRS disclosures and corporate governance disclosures, fewer women on board and are less mature.

5.5.3 Descriptive Statistics for all Company Variables and Disclosures

In terms of disclosures, as explained before, the average IFRS score was nearly 90%, followed by corporate governance at 77%, then integrated reporting scores at 67%, and lastly, sustainability disclosures. The reasons for the disclosure levels have been provided. In terms of variation in disclosures, integrated reporting has the highest variation at 18%, followed by corporate governance at 17.5% and sustainability reporting at 17%, with the lowest being IFRS disclosures at 4.55%. The reasons for the variations have been discussed in sections 5.2 and 5.3. A notable finding is that variation across companies is more than variation over time, which implies that there is consistency in terms of reporting over time, but significant differences across time. A possible reason for this is because NSE companies maybe anchoring the current period report to that of the previous period. For example, some companies did not make improvements in their corporate governance reports, which

appeared to be copied from the previous period, and revised marginally in the current period.

For NSE listed companies, the size constructs report that the average amounts for total assets, total revenue, and market capitalization to be \$66.8 million, \$23.2 million, and \$32.6 million respectively. However, like disclosures, there is a significant variation in the total assets, total revenue, and market capitalization across companies as compared to variation across time. This is probably expected due to the nature of companies. However, the largest company in terms of asset size is \$5.95 billion, revenue is \$2.2 billion and \$6.8 billion for market capitalization. Maybe these figures are low compared with other emerging markets.

For profitability constructs, NSE listed companies sampled reported an average net income of \$2.7 million, but with profits as high as \$26.2 million and the highest loss of \$26.2 million. Investors also recorded a return on equity of 12.11%, return on assets of 3.62%, and earnings per share of \$0.07. Variation in profitability metrics is high across companies, and less across time. However, the earnings per share is the only metric that shows more variation across time as compared to variation across companies. Generally, the levels of profitability are low.

Overall, NSE companies report a slightly higher level of leverage, at 60%, with some companies having negative equity, leading to the high leverage of 331%. Meaning, the company with the highest leverage has liabilities of more than 3 times the assets. Most likely, companies in emerging markets like Kenya may be operating with high levels of debt. Also, there is a significant variation in leverage across companies rather than across time. This is in line with all other variables.

In terms of investor values and growth opportunities, NSE listed companies sampled reported an average dividend yield of 4%, with average dividends paid of \$1.5 million, and cash flows from operations of \$3.6 million while Price-to-Book and Price Earnings Ratios of 4.14 and 38 respectively. The figures appear low, except for the Price Earnings ratio which reflects confidence from investors about the growth potential for NSE listed companies. Whereas the dividend yield, dividends paid and cash flows vary across companies more than across time, the Price to Book and Price-earnings ratios vary more across time rather than companies.

On board size, NSE companies have on average nine board members, with an average of five being non-executive, implying high board independence. However, the average number of women on board is two, with some boards operating without a woman. This implies less board diversity in terms of gender. Finally, NSE listed companies are mature with an average of 62 years, the youngest being 4 years and the oldest company being 130 years. This indicates that on average most of the

companies are mature. On average, the concentrated shareholding is 31%, with the highest being 74% and the lowest being 2.5%. This also implies lower levels of significant shareholding.

In summary, for an emerging market, the most likely constructs that may explain high corporate disclosures are high leverage, high investor growth values such as the Price Earnings, high board independence, maturity in existence, and lower levels of concentrated shareholdings. However, these variables tend to vary across companies and not over time, which is in line with disclosures that are also persistent over time.

5.5.4 Perspectives of Preparers, Regulators and Users on the Way forward for Corporate Reporting in Kenya

The concluding question to preparers, regulators, and users required broad comments regarding current reporting practices, integrated reporting, and the way forward for corporate reporting in Kenya.

Generally, the three users agree that current reporting practices require improvements, which is in line with all the important theories of the agency, stakeholder, legitimacy, and Signalling theory. However, even though they all agree that integrated reporting has the potential to improve corporate reporting as claimed by its advocates, it is possibly a stage in corporate reporting. Corporate reporting will continue to evolve in line with changing stakeholder needs and driven by technology. Users require a focus on relevant and useful information and making reports easily available and accessible. These findings, though support agency, stakeholder, legitimacy, and stakeholder theories, require further empirical research.

5.6 Summary of the Chapter

This chapter discussed the findings and results of the study. IFRS disclosure scores are high and increasing from 88% to 90%, sustainability disclosures scores are low but increasing from 25% to 31%, while corporate governance scores are high and increasing from 74% to 82%. However, the trend of sustainability is the only one that is significant. High disclosures for IFRS and corporate governance scores imply that financial information and corporate governance disclosures will be higher for integrated reporting, but sustainability disclosures will be probably lower using the GRI benchmark. High IFRS and corporate governance disclosures are attributable to experience and strict enforcement by the profession and the law. Low sustainability disclosure is due to a lack of metrics and inadequate systems to collect data for sustainability reporting.

In terms of sectors, even though the telecom sector is leading in nearly all the four areas of disclosure, for the other sectors it is not clear which sectors outperform in all the categories of disclosures. Therefore, based on the sector it is not conclusive which sectors will outperform the others. However, the telecom, banking, and insurance sectors will likely adopt integrated reporting based on the number of adopters.

For company factors, size is the only factor that is positive and significant with all disclosures. All the other variables are positive or negative and not significant for all of them. For the adoption of integrated reporting, it is expected that size, sector and previous period integrated reporting scores play an important role in current period integrated reporting disclosures. This study has contributed to the literature on factors that may contribute to the adoption of integrated reporting in the context of an emerging market like Kenya.

The three stakeholders think that improvements in current reporting with preparers and regulators focusing on non-financial information, while analysts are concerned about the quality of interim reports and depth of management discussions. The anticipated benefits and barriers are different for each stakeholder, with users thinking that there will be more information but no change or improvement to the investment process. All stakeholders agree that integrated reporting is an improvement, but not optimal for corporate reporting due to changing investor needs. Unfortunately, even though all stakeholders are for the adoption of integrated reporting, overall, they all think it should not be made mandatory. This means stakeholders require time and experience to understand the process, regulation, and analysis of integrated reporting.

Chapter Six, the last chapter provides a summary of the study, key findings, and contribution to knowledge, limitations of the study, and recommendations for further research.

6 CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.1 Introduction

Given that global bodies like the IIRC and AIRC and local regulators like the CMA are encouraging companies to adopt integrated reporting, the purpose of this study was to establish the extent to which listed companies in emerging markets like Kenya are ready for integrated reporting. Integrated reporting requires companies to prepare an annual report that demonstrates how the company's strategy, governance, and performance and prospects, in the context of its external environment, leads to the creation of value over the short, medium, and long term. Therefore, disclosures of financial information based on IFRS, sustainability, and corporate governance are important for adopting integrated reporting.

Therefore, the study had three objectives. First to establish the levels and trends of IFRS, sustainability, and corporate governance disclosures and the associated company factors. Second, to establish the levels and trends of integrated reporting disclosures and the associated company factors. Third to obtain and evaluate the perspectives of preparers, regulators, and users about the IFRS, sustainability, corporate governance, and integrated reporting.

Chapter One introduced the study, Chapter Two provided the literature review, Chapter Three explained how the study was conducted. Chapter Four presented the results and findings and Chapter Five provided the discussion within the context of theoretical, empirical, and industry practice. Chapter Six presents the conclusion and recommendations.

The Chapter is organized as follows:

6.2 Significance of the findings and contribution to knowledge

6.3 Limitations of the study

6.4 Recommendations for further studies

6.5 The conclusion and way forward

6.2 Significance of the findings and Contribution to Knowledge

6.2.1 Empirical Literature

This study extends the studies of Steyn (2014) in South Africa, Stubbs, and Higgins (2014) in Australia, Hao (2014) in Canada, Gasperini (2013) in Italy on IR in other countries but given an emerging market perspective. Despite challenges that

face emerging markets like Kenya such as developing capital markets and erratic economic conditions, listed companies in Kenya report high transparency and improvements in IFRS and corporate governance disclosures, while also showing the potential to adopt innovations in corporate reporting such as integrated reporting.

6.2.2 Company factors and Integrated Reporting Disclosures

Findings from this study augment the study of Isabel-María et al (2013) that size and sector, with those in banking, will likely influence the adoption of integrated reporting. Also, companies that report more sustainability disclosures and corporate governance disclosures will likely adopt integrated reporting. However, companies with foreign ownership will likely not adopt integrated reporting. The focus should be to encourage non-large companies to make more disclosures as now it is currently the domain of large companies. Furthermore, the regulators and other stakeholders need to design or formulate policies that will encourage smaller companies to be more transparent and open to adopting innovations in corporate reporting.

6.2.3 Theoretical Literature

The findings from this study show support for various corporate reporting theories. Agency and Signalling theories are supported by high IFRS and Corporate Governance disclosures. Stakeholder theory and legitimacy theories supported by trending sustainability disclosures. These findings imply that more than one corporate reporting disclosure theory may be relevant in explaining and possibly influencing innovations in corporate reporting disclosures for emerging markets like Kenya.

6.2.4 Methodology

Empirical literature highlights that the majority of the corporate reporting studies prioritized cross-sectional design and multivariate analysis, Pooled OLS. This study was longitudinal across the four disclosures, to evaluate improvements in corporate reporting disclosures, and therefore the possibility of adopting innovations in corporate reporting. Besides, the study applied both static and dynamic panel data econometric models. The static panel data models together with diagnostic tools provide better alternatives for Analysing panel data as opposed to Pooled OLS. Dynamic panel data models are useful in identifying patterns and relationships between current and prior year disclosures, extending the analysis of the trends in disclosures.

6.2.5 Policy and Research

The findings provide support for the policy decision by CMA for companies to adopt integrated reporting voluntarily. High IFRS and Corporate Governance disclosures and improving sustainability disclosures show some level of preparedness for integrated reporting. Meanwhile, support by preparers is split with marginal preference for mandatory adoption (55%), while regulators and users prefer voluntary. But Integrated Reporting is viewed to be a stage in corporate reporting, not final. More research is required on regulation and the best way for corporate reporting.

6.3 Limitations of the Research

6.3.1 Introduction

The limitations of this study cover: timing of the study, scope based on time, limitations of various research methods and tools, limitation on disclosure indices, limitations of econometric panel data models and overlaps in the information disclosed in financial and non-financial information.

6.3.2 Timing of the Study

First, integrated reporting is a recent development in corporate reporting, and December 2013 is the date the integrated reporting framework was launched, the study was conducted at the early stages when the various stakeholders are probably still learning about integrated reporting. This may partially explain the lower than expected response rate of preparers in filling the questionnaire. However, the perspectives of the participants showed that they are aware of integrated reporting. Besides, the questionnaire design did not require prior knowledge and experience with integrated reporting. The feedback from over 30% of the preparers, five out of six of the regulators, and 10 out of 14 analysts was sufficient for feedback.

6.3.3 Scope Based on Time

In terms of scope, the research did not cover trends of financial and non-financial reporting from as early as 1999, when Kenya adopted IFRSs and also began rewarding companies for excellence in reporting. If data is available over this time, then the information can be enriched by making the patterns and development in corporate reporting disclosures clearer and the results more efficient.

However, data covering a long time may require more resources, time, and money and there are issues with panel data attrition, where some companies disappear, or information becomes unavailable (Wooldridge, 2002).

Despite the short period, the seven years of data collection from annual reports of companies were sufficient for analysis, as currently, econometric panels are robust to enable an analysis of micro panel data (where the period is shorter than the number of companies). This was confirmed by the various diagnostic tests that checked in the strength of the various panel data models, besides the non-parametric tests.

6.3.4 Research Methods and Tools Applied in the Study

As discussed at length in Chapter Three on research methodology, the study used content analysis (to establish disclosures), online self-administered questionnaires (to obtain views from preparers), interviews (to obtain the views and perspectives of regulators and users). Even though these methods are popular tools of conducting research given by empirical studies, they also have limitations, and attempts were made to minimize the impact of their limitations in conducting the study and enhance reliability and validity.

First, in document analysis, a lack of information is a key challenge. Attempts were made to ensure that all annual reports could be accessed, but this attempt was not fruitful. As mentioned in section 6.3.3, the more the data the more efficient and reliable the results. The annual reports of some companies for some years were not available. Despite this challenge, the efforts were successful as annual reports of more than 70% of the companies were obtained. This number is substantial for inferential analysis.

Second, the self-administered online questionnaire, though efficient and can reach as many participants and enables faster responses, suffers a key challenge of low response rates. Therefore, participation was increased through follow-up phone calls, emails, and reminders. A challenge was for those who have a non-participation policy and those who declined to take part. There were still several participants who even at the time of authoring did not fill the questionnaire despite the promise to do so. However, about 30% of the preparers filled the questionnaire to enable inferences.

Finally, interviews, have the advantage of providing more information from participants by probing the responses further. In this study, through interviews, the feedback was adequately received from regulators and analysts. However, some participants had limited time but allowed the opportunity to call back and clarify some responses.

6.3.5 Limitations on the use of Disclosure Indices in Awarding Scores

Marston and Shrivs (1991), discussed at length on a possibly controversial matter about using disclosure indices to award scores for studies in accounting and

finance. The first issue is whether a dichotomous approach of 1 for disclosure and 0 for non-disclosure should be used, or a scale can be used to consider partial disclosures. The second issue in awarding scores is whether certain disclosures should be given more weight, or the disclosures should be unweighted.

This study used the dichotomous, with scores being unweighted based on the vast empirical literature and the benefits. As provided in Chapter Two, nearly all empirical studies on corporate reporting disclosures prefer dichotomous scoring. Marston and Shrives explain that a dichotomous approach minimizes bias.

6.3.6 Limitations of Panel Data Econometric Models

Hsiao (2003; 2007) and Baltagi (2005) have provided a detailed explanation of the benefits of panel data models. Most of the benefits were discussed in the research methods section of this study. The key ones are the ability of panel data to control for individual differences, ability to measure changes in individual characteristics and features over time, and ability to reduce biases by aggregating data across individuals and time. However, panel data methods have challenges ranging from incomplete or missing data sets, measurement errors due to distortions on the data collected. Also, Hsiao explains that the selection of a model depends on the assumptions about underlying relationships among variables.

The effect of these challenges has been minimized in various ways. In the case of missing data sets in some years, which leads to unbalanced panels, the majority of the softwares including STATA, can handle unbalanced panels and provide reliable results. Measurement errors were minimized especially in collecting and awarding scores where independent researchers were used. The details have been provided in Chapter Three. Finally, most of the variables and constructs were selected from their application of empirical studies and corporate disclosure theories, hence there is justification for their use. To ensure that a model is reliable, Hsiao (2007) recommends the use of various diagnostic tools to increase the efficiency of parameter estimates and statistical inferences. This was accomplished, and details provided in Chapter Four.

6.3.7 Overlaps in Disclosures of IFRS, Sustainability and Corporate Governance

As introduced in Chapter One, Erkens, et al. (2015) conducted a literature review on the meaning of non-financial information disclosures. Even though in the current study, IFRS disclosures are regarded as disclosures of financial information while sustainability and corporate governance disclosures have been considered as non-

financial disclosures, the three types of reports may have some overlaps with some information being required in all the reports. For example, corporate governance codes require disclosure of financial performance and financial position for the period, which are also required by IFRS, although IFRS is more detailed as compared to corporate governance reports. Corporate governance codes also require disclosures of risk management as well as IFRS, but IFRS focuses on financial risks. Some aspects of Sustainability disclosures in the economic pillar such as revenues are also required by IFRS.

However, the overlaps in disclosures are not substantial to impact or bias empirical studies, including this one. This is because the nature of overlaps is minimized due to the different, but detailed requirements. For example, financial performance is one of the nine items required by corporate governance codes. This is also required by IFRS. But IFRS has nearly 20 items to be disclosed under financial performance.

6.4 Recommendations for Further Research

6.4.1 Introduction

Various findings and issues arose providing suggestions for possible future research. These suggestions relate to additional units of study, quality of disclosures, use of case studies for early adopters, additional stakeholders, and way forward for corporate reporting.

6.4.2 Additional Units of Study (Population)

First, the study focused on listed companies in an emerging economy – Kenya. Additional studies can be conducted on corporate reporting and possible adoption of integrated reporting for small and medium-sized entities in addition to public sector entities. In emerging markets, such entities may have fewer incentives to provide or disclose more information especially small and medium entities, because of less regulation and attention from potential investors. The findings are useful to enrich the various disclosure theories within the context of these organizations.

6.4.3 Quality of Integrated Reporting by Adopters

Secondly, the study has only looked at the number of disclosures made in terms of financial and non-financial information and integrated reporting. With changes happening in both sets of information, other studies may focus on the quality rather than the number of disclosures made in integrated reports. For example, other studies

can measure the quality of integrated reports of those companies that claim to have adopted integrated reporting. Besides, it would be valuable to make a comparison of integrated reporting in Kenya and similar companies like those in South Africa or other global companies that have adopted integrated reporting, by considering the different regulatory and incentives for corporate reporting disclosures. This may call for other indices that do not apply the dichotomous approach to awarding scores on disclosures.

6.4.4 Application of Alternative Research Methods and Tools

Thirdly, research needs to be conducted, by using other techniques like case studies for those companies that claim to have adopted integrated reporting or those who are in the process of adoption. This could be a significant learning lesson for those in the process, to highlight the changes that have taken to processes, teams, mind shifts, challenges, and recommendations for improving data collection activities. This approach to research could enrich findings on the effect of adopting integrated reporting for emerging markets.

6.4.5 Obtaining Perspectives of Other Stakeholders

Fourth, this study has obtained the views of three key stakeholders: preparers, regulators, and analysts. As explained in the introduction, there are other stakeholders like customers, suppliers, lenders, the government, and the public who are interested in corporate reports. Therefore, future studies can focus on other stakeholders, which may provide more insights on stakeholder theory and the similar or varying perspectives of additional stakeholders on integrated reporting, especially from emerging markets (and even developed ones).

6.4.6 Additional Themes for Corporate Reporting and Integrated Reporting

Finally, other studies given the context of Kenya as an emerging market can be conducted to determine, the best mediums (websites, annual and interim reports or through a regulators' portal) of reporting various financial and non-financial information, how various regulators can work together to harmonize regulation of corporate reporting and the optimal way to meet the needs of various stakeholders, given that they all have different needs. For integrated reporting, more research can be done on principles, content elements, and the concept of value from the organizational perspective and users (analysts).

6.5 The Conclusion and Way Forward

Given the findings, results, and discussion, the overall conclusion from the study is that integrated reporting should be adopted by NSE listed companies but voluntarily. The findings from this study provide empirical evidence to support the decision made by the Capital Markets Authority in Kenya. Companies are reporting high disclosures of financial information and corporate governance disclosures with slight improvements in disclosure of sustainability matters. The disclosures show strong support for agency theory, some support for stakeholder, and legitimacy theories. This implies that integrated reporting will need to be evaluated from multiple theoretical perspectives. The majority of the listed companies have websites in which annual reports are available and disclose non-financial information. Large companies will also likely adopt integrated reporting, with evidence showing improvements in integrated reporting disclosures (Dynamic). A slight majority of preparers support mandatory adoption, regulators think there will be improvements in non-financial information disclosures and users think that more information will become available for decision making.

However, if integrated reporting is to be successfully adopted by NSE listed companies, stakeholders will need to overcome some challenges. First as indicated, sustainability disclosures are low. Either IIRC needs to improve the sustainability disclosures required in the integrated report or companies may need to consider both GRI sustainability guidelines and integrated reporting frameworks. Second, nearly 25% of annual reports are not available, and only about 84% of the companies have a website with the majority having fewer disclosures of sustainability matters. Regulators must work to enforce the requirements of the Companies Act, to ensure all companies have a website and annual reports are available online hence users can easily access them. Fourth, regulators are not willing to harmonize regulation to adopt integrated reporting, and this may require further research on how corporate regulation can be harmonized. Finally, regulators and users think that integrated reporting should be adopted voluntarily. Users, unfortunately, do not think integrated reporting will improve the investment process. All the three stakeholders think that integrated reporting is a journey but not the destination or optimal for corporate reporting.

Given that stakeholders are working to continuously improve corporate reporting in both emerging and developing markets, this study has revealed progress in disclosures of both financial and non-financial information. This provides evidence of the potential to adopt innovations such as integrated reporting. However, the findings also reveal that stakeholders cannot overlook the different country contexts

such as regulation, associated company factors such as size, and the varying needs of different stakeholders with regards to corporate reporting disclosures. No doubt, corporate reporting will likely continue to improve beyond integrated reporting.

REFERENCES

- Abdelsalam, O. H., Street, D. L. (2007). Corporate governance and the timeliness of corporate internet reporting by U.K. listed companies. *Journal of International Accounting, Auditing & Taxation*, 16, 111-130.
- Abraham, S., & Cox, P. (2007). Analysing the determinants of narrative risk information in UK FTSE 100 annual reports. *The British Accounting Review*, 39(3), 227-248. doi:10.1016/j.bar.2007.06.002
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth*. (London, UK: Elsevier, Ed.) *Handbook of economic growth*, 1A, 385–472.
- Adams C. (2002). Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising. *Accounting, Auditing & Accountability Journal*, 15(2), 223–250. doi:10.1108/09513570210418905
- Adams, C. A. (2010). Sustainability research in need of a multi-disciplinary approach and a practice and policy focus?. *Sustainability Accounting, Management and Policy Journal*. doi:10.1108/sampj.2010.46801aaa.001
- Adams, C. A., Hill, W.-Y., & Roberts, C. B. (1998). Corporate social reporting practices in Western Europe: Legitimizing Corporate Behaviour?. *British Accounting Review*, 30(1), 1–21.
- Adhariani, D., & de Villiers, C. (2019). Integrated reporting: perspectives of corporate report preparers and other stakeholders. *Sustainability Accounting, Management and Policy Journal*, 10(1), 126–156. From doi.org/10.1108/SAMPJ-02-2018-0043
- Afuah, A. (2004). *Business models: A strategic management approach*. New York: McGraw-Hill.
- Afuah, A., & Tucci, C. L. (2001). *Internet business models and strategies: Text and cases*. New York: McGraw-Hill.
- Ahmed Haji, A., & Hossain, D. (2016). Exploring the implications of integrated reporting on organisational reporting practice. *Qualitative Research in Accounting & Management*, 13(4), 415–444. doi: 10.1108/qram-07-2015-0065
- AIRC (2017). Available at <https://integratedreporting.org/news/the-accountant-african-integrated-reporting-committee-announced-at-acoa-2017/>
- Akpabio, E. M., & Esikot, I. F. (2014). Social sciences and research ethics in developing countries: The perspective from Nigeria. *African Journal of Science, Technology, Innovation and Development*, 6(4), 231–241. doi:10.1080/20421338.2014.902562
- Al-Shammari, B. (2011). Factors influencing the extent of mandatory compliance with international financial reporting standards: the case of Kuwaiti listed companies. *Journal of International Business and Economics*, 11(4), 11–31.
- Al-Shammari, B., Brown, P., & Tarca, A. (2008). An investigation of compliance with international accounting standards by listed companies in the Gulf Co-Operation Council member states. *The International Journal of Accounting*, 43(4), 425–447. doi:10.1016/j.intacc.2008.09.003
- Alshenqeeti, H. (2014). Interviewing as a data collection method: A critical review. *English Linguistics Research*, 3(3), 39–47. doi:10.5430/elr.v3n1p39

- Altheide, D. L., & Johnson, J. M. (1994). Criteria for assessing interpretive validity in qualitative research. In N. Denzin, & Y. Lincoln, *Handbook of qualitative research* (pp. 485-499). Thousand Oaks, CA: SAGE.
- Alves H, Rodrigues A.M., Canadas, N. (2012). Factors Influencing the Different Categories of Voluntary Disclosure in Annual Reports: An Analysis for Iberian Peninsula Listed Companies. *10(1)*: 15-26.
- Amit, R., & Zott, C. (2001). Value creation in e-business. *Strategic Management Journal*, *22(6-7)*, 493-520. doi:10.1002/smj.187
- Anderson, T. W. & Hsiao, Cheng, (1982). Formulation and estimation of dynamic models using panel data. *Journal of Econometrics*, Elsevier, *18(1)*, pages 47-82, January.
- Anderson, T., & Hsiao, C. (1981). Estimation of Dynamic Models with Error Components. *Journal of the American Statistical Association*, *76(375)*, 598-606. doi: 10.1080/01621459.1981.10477691
- Andrikopoulos, A., Samitas, A., & Bekiaris, M. (2014). Corporate social responsibility reporting in financial institutions: Evidence from Euronext. *Research In International Business and Finance*, *32*, 27-35. doi: 10.1016/j.ribaf.2014.02.001
- Applegate, L. M. (2000). E-business models: Making sense of the internet business landscape. In G. Dickson, & G. DeSanctis, *Information technology and the future enterprise: New models for managers* (pp. 49-101). Englewood Cliffs, NJ: Prentice-Hall.
- Are, L., Chabenne, S., Dupoux, P., Ivers, L., Michael, D., C and Morieux, Y. (2010). *The African Challengers: Global Competitors Emerge from the Overlooked Continent*, The Boston Consulting Group.
- Arellano, M., & Bond, S. (1991). Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations. *The Review Of Economic Studies*, *58(2)*, 277. doi: 10.2307/2297968
- Arellano, M., & Bover, O. (1995). Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics*, *68(1)*, 29-51. doi: 10.1016/0304-4076(94)01642-d
- Arjaliès, D. (2010). A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered. *Journal of Business Ethics*, *92(S1)*, 57-78. doi: 10.1007/s10551-010-0634-7
- Arkkelin, D.(2014).Using SPSS to Understand Research and Data Analysis. *Psychology Curricular Materials*. Book 1.
- Atsmon, Y., Kertesz, A., & Vittal, I. (2011). Is your emerging-market strategy local enough?. *McKinsey Quarterly*, *2(1)*, pp. 1-13.
- Azubuike, V. M. (2013). Technological innovation capability and firm's performance in new product development. *Communications of the IIMA*, *13(1)*, 43-56.
- Baatar, G. (2012). A technical guide to effective and accessible web surveys. *Electronic Journal of Business Research Methods*, *10(2)*, 101-109.
- Ball, A. (2004). *Advancing Sustainability Accounting and Reporting: An Agenda for Public Service Organisations*. London: CIPFA
- Ball, R., Robin, A., & Wu, J. S. (2000). Incentives Versus Standards: Properties of Accounting Income in Four East Asian Countries, and Implications for

- Acceptance of IAS . Boston JAE Conference (pp. 1–41). Boston: University of Rochester.
- Ballas, A., & Tzovas, C. (2010). An empirical investigation of Greek firms' compliance to IFRS disclosure requirements. *International Journal of Managerial and Financial Accounting*, 2(1), 40. doi: 10.1504/ijmfa.2010.032489
- Baltagi, B. H. (2005). *Econometric analysis of panel data*. Chichester: Wiley.
- Baltagi, B. H. (2013). *Econometric analysis of panel data* (4th ed.). New York, NY: John Wiley & Sons Ltd.
- Baltagi, B., & Griffin, J. (1988). A Generalized Error Component Model with Heteroscedastic Disturbances. *International Economic Review*, 29(4), 745. doi: 10.2307/2526831
- Bananuka, J., Tumwebaze, Z. and Orobia, L. (2019). The adoption of integrated reporting: a developing country perspective. *Journal of Financial Reporting and Accounting*, 17(1), 2-23. <https://doi.org/10.1108/JFRA-09-2017-0089>
- Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors influencing voluntary corporate disclosure by Kenyan companies. *Corporate Governance: an International Review*, 14(2), 107–125. doi:10.1111/j.1467-8683.2006.00491.x
- Barth, M., Konchitchki, Y., & Landsman, W. (2011). Cost of Capital and Earnings Transparency. *SSRN Electronic Journal*. doi: 10.2139/ssrn.1348245
- Bayoud, N., Kavanagh, M., & Slaughter, G. (2012). Corporate Social Responsibility Disclosure and Employee Commitment: Evidence from Libya. *International Journal of Economics And Finance*, 4(5). doi: 10.5539/ijef.v4n5p37
- Beest, F. V., Braam, G. J., & Boelens, S. (2009). *Quality of Financial Reporting: measuring qualitative characteristics*. Nijmegen: Radboud University.
- Ben-Amar, W., & Boujenoui, A. (2007). Factors explaining corporate governance disclosure quality: Canadian evidence. *Illinois International Accounting Symposium. Working Paper*, 1–39. Champaign, IL: University of Illinois.
- Berg, B. (2006). *Qualitative research methods for the social sciences*. Boston: Pearson.
- Berle, A., & Means, G. (1991). *The modern corporation and private property*. New Brunswick, N.J., U.S.A.: Transaction Publishers.
- Bhorat, H., & Tarp, F. (2009). In H. Bhorat, & F. Tarp, Pre, *Africa's Lions: Growth traps and opportunities for six African economies* (p. 1-36). Washington, D.C: Brookings Institution.
- Bird, R. B., & Smith, E. A. (2005). Signalling Theory, Strategic Interaction, and Symbolic Capital. *Current Anthropology*. 46(2), 221–238. <https://doi.org/10.1086/427115>
- Björkdahl, J. (2009). Technology cross-fertilization and the business model: The case of integrating ICTs in mechanical engineering products. *Research Policy*, 38(9), 1468–1477. doi: 10.1016/j.respol.2009.07.006
- Blaxter, L., Hughes, C., & Tight, M. (2010). *How to research*. Maidenhead: McGraw-Hill.
- Boesso, G., & Kumar, K. (2009). An investigation of stakeholder prioritization and engagement: who or what really counts. *Journal of Accounting & Organizational Change*, 5(1), 62–80. doi: 10.1108/18325910910932214

- Bogdan, R., & Biklen, S. K. (2007). *Qualitative research for education: An introduction to theory and methods*. Boston, MA [etc.: Pearson Allyn & Bacon.Chicago (Author-Date, 15th ed.)
- Borkowski, S. C., Welsh, M. J., & Wentzel, K. (2010). Johnson & Johnson: A model for sustainability reporting. *Strategic Finance*, 92(3), 29–37.
- Botosan, C. (2004). Discussion of a framework for the analysis of firm risk communication. *The International Journal of Accounting*, 39(3), 289-295. doi: 10.1016/j.intacc.2004.06.007
- Bouchez, L. (2007). Principles of corporate governance: the OECD perspective. *European Company Law* , 4(3), 109–123.
- Boudreau, M.-C., T. Ariyachandra, D. Gefen, and D. Straub (2004). Validating IS Positivist Instrumentation: 1997-2001. in M. E. Whitman and A. B. Woszczynski (Eds.) *The Handbook of Information Systems Research*, Hershey, PA USA: Idea Group Publishing.15-26.
- Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal*, 9(2), 27–40. doi:10.3316/QRJ0902027
- Branco, C. M., & Delgado, C. (2011). Research on corporate social responsibility and disclosure in Portugal. *Social Responsibility Journal*, 7(2), 202–217. doi:10.1108/174711111111141495
- Brennan, N. (2001). Reporting intellectual capital in annual reports: evidence from Ireland. *Accounting, Auditing & Accountability Journal*, 14(4), 423–436. doi:10.1108/09513570110403443
- Breusch, T. S., & Pagan, A. R. (1980). The lagrange multiplier test and its applications to model specification in econometrics. *The Review of Economic Studies*, 47(1), 239-253. doi:10.2307/2297111
- Broberg, P., Tagesson, T., & Collin, S. (2010). What explains variation in voluntary disclosure? A study of the annual reports of corporations listed on the Stockholm stock exchange. *Journal of Management & Governance*, 14(4), 351-377. doi:10.1007/s10997-009-9104-y
- Brousseau, E., & Pénard, T. (2007). The economics of digital business models: A framework for Analysing the economics of platforms. *Review of Network Economics*, 6(2), 2194-5993. doi:10.2202/1446-9022.1112
- Brown, H. S., de Jong, M., & Levy, D. L. (2009). Building institutions based on information disclosure: lessons from GRI's sustainability reporting. *Journal of Cleaner Production*, 17(6), 571-580. doi:10.1016/j.jclepro.2008.12.009
- Brown, H.S., de Jong, M. and Levy, D.L. (2009). Building Institutions Based on Information Disclosure: Lessons from GRI's Sustainability Reporting. *Journal of Cleaner Production*, 17, 571-580. <http://dx.doi.org/10.1016/j.jclepro.2008.12.009>
- Brown, N., & Deegan, C. (1998). The public disclosure of environmental performance information—a dual test of media agenda setting theory and legitimacy theory. *Accounting and Business Research*, 29(1), 21–41. doi:10.1080/00014788.1998.9729564
- Bryman, A., Becker, S., & Sempik, J. (2008). Quality criteria for quantitative, qualitative and mixed methods research: A view from social policy. *International Journal of Social Research Methodology*, 11(4), 261–276. doi:10.1080/13645570701401644

- Bulmer, M., De, V. D., & Fielding, N. (2004). Questionnaires. London : SAGE.
- Bushman, R. M., & Smith, A. J. (2001). Financial accounting information and corporate governance. *Journal of accounting and Economics*, 32(1-3), 237–333. doi:10.1016/S0165-4101(01)00027-1
- Bushman, R., Engel, E., Milliron, J., & Smith, A. (2000). An Analysis of the Relation Between the Stewardship and Valuation Roles of Earnings. *SSRN Electronic Journal*. doi: 10.2139/ssrn.221548
- Calia, R., Guerrini, F., & Moura, G. (2007). Innovation networks: From technological development to business model reconfiguration. *Technovation*, 27(8), 426–432. doi: 10.1016/j.technovation.2006.08.003
- Cameron, A. C., & Trivedi, P. K. (2010). *Microeconometrics using Stata*. College Station, TX: Stata Press.
- Campbell, D., & Fiske, D. (1959). Convergent and discriminant validation by the multitrait-multimethod matrix. *Psychological Bulletin*, 56(2), 81–105. doi: 10.1037/h0046016
- Cavusgil, S. (1997). Measuring the potential of emerging markets: An indexing approach. *Business Horizons*, 40(1), 87-91. doi: 10.1016/s0007-6813(97)90030-6
- CBK (2014). Central Bank Prudential Guidelines. Available at Available at : <https://www.centralbank.go.ke/wp-content/uploads/2016/08/PRUDENTIAL-GUIDELINES.pdf>
- Chang, J. J. (1999). The decline in value relevance of earnings and book values (Doctoral dissertation). Cambridge, Massachusetts: Harvard University.
- Chapman, C. S. (1997). Reflections on a contingent view of accounting. *Accounting, Organizations and Society*, 22(2), 189-205. doi:10.1016/S0361-3682(97)00001-9
- Chau, G., & Leung, P. (2006). The impact of board composition and family ownership on audit committee formation: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 15(1), 1-15.
- Chen, J.P.C. and Jaggi, B. (2000). Association between independent non-executive directors, family control and financial disclosures in Hong Kong. *Journal of Accounting and Public Policy*, 19(4-5), pp. 285-310
- Chesbrough, H., & Rosenbloom, R. S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, 11(3), 529-555. doi:10.1093/icc/11.3.529
- Cheung, S., Connelly, J., & Limpaphayom, P. (2007). Determinants of Corporate Disclosure and Transparency. *International Corporate Responsibility Series*, 3, 313-342. doi: 10.5840/icr2007320
- Chow, G. C. (1960). Tests of equality between sets of coefficients in two linear regressions. *Econometrica: Journal of the Econometric Society*, 591-605. doi:10.2307/1910133
- Christian, L., & Leuz, C. (2010). Did fair-value accounting contribute to the financial crisis? *Journal of Economic Perspectives*, 24(1), 93-118. doi:10.1257/jep.24.1.93

- Churet, C., & Eccles, R. G. (2014). Integrated reporting, quality of management, and financial performance. *Journal of Applied Corporate Finance*, 26(1), 56-64. doi:10.1111/jacf.12054
- CIMA. (2001). *Understanding Corporate Value: Managing and Reporting Intellectual Capital*. Cranfield University, Chartered Institute of Management Accountants, 1-28.
- Clark, T., & Linzer, D. (2015). Should I use fixed or random effects? *Political Science Research and Methods*, 3(2), 399–408. doi:10.1017/psrm.2014.32
- CMA. (2015). Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 - Code. Retrieved from https://www.cma.or.ke/index.php?option=com_phocadownload&view=category&download=43:code-of-corporate-governance-practices-for-issuers-of-securities-to-the-public-2015-code&id=43:guidelines&Itemid=195
- CMA. (2016a). Who we are. Retrieved 6 July 2016, from https://www.cma.or.ke/index.php?option=com_content&view=article&id=9&Itemid=146
- CMA. (2016b). Capital Markets Master Plan 2016. Retrieved from https://www.cma.or.ke/index.php?option=com_phocadownload&view=category&download=3:capital-market-master-plan-2016-cpdf&id=18:capital-market-masterplan-for-kenya&Itemid=185
- Cohen, B. H., & Lea, B. R. (2004). *Essentials of statistics for the social and behavioral sciences*. New York: John Wiley.
- Cohen, L., Manion, L., & Morison, K. (2007). *Research methods in education* (6th ed.). London: Routledge.
- Collin, S. Y., Tagesson, T., Andersson, A., Cato, J., & Hansson, K. (2009). Explaining the choice of accounting standards in municipal corporations: Positive accounting theory and institutional theory as competitive or concurrent theories. *Critical Perspectives on Accounting*, 20(2), 141-174. doi:10.1016/j.cpa.2008
- Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signalling theory: A review and assessment. *Journal of Management*, 37(1), 39-67. doi:10.1177/0149206310388419
- Cook, T. D., Campbell, D. T., & Day, A. (1979). *Quasi-experimentation: Design & analysis issues for field settings*. Boston: Houghton Mifflin.
- Corbin, J., & Strauss, A. (2008). *Basics of qualitative research: Techniques and procedures for developing grounded theory* (3rd ed.). Thousand Oaks, CA: SAGE.
- Cormier, D., & Gordon, I. M. (2001). An examination of social and environmental reporting strategies. *Accounting, Auditing & Accountability Journal*, 14(5), 587-617. doi:10.1108/EUM0000000006264
- Cormier, D., & Magnan, M. (1999). Corporate environmental disclosure strategies: determinants, costs and benefits. *Journal of Accounting, Auditing & Finance*, 14(4), 429-451. doi:10.1177/0148558x9901400403
- Couper, M.P, Traugott, M.W., & Lamias, M.J. (2001). Web Survey Design and Administration. *Public Opinion Quarterly*, 65(2), 230-253, <https://doi.org/10.1086/322199>

- Cowan, D. M., Dopart, P., Ferracini, T., Sahmel, J., Merryman, K., Gaffney, S., & Paustenbach, D. J. (2010). A cross-sectional analysis of reported corporate environmental sustainability practices. *Regulatory Toxicology and Pharmacology*, 58(3), 524–538. doi:10.1016/j.yrtph.2010.09.004
- Craswell, A., & Taylor, S. (1992). Discretionary Disclosure of Reserves by Oil and Gas Companies: An Economic Analysis. *Journal of Business Finance & Accounting*, 19(2), 295-308. doi: 10.1111/j.1468-5957.1992.tb00626.x
- Creswell, J. W. (2003). *Research design: quantitative, and mixed methods approaches* (2nd ed.). London: SAGE.
- Creswell, J. W., & Plano, C. V. L. (2011). *Designing and conducting mixed methods research*. Los Angeles: SAGE Publications.
- Cunha, V., & Dinis Mendes, S. (2017). Financial Determinants of Corporate Governance Disclosure: Portuguese Evidence. *Athens Journal of Business & Economics*, 3(1), 21–36. doi: 10.30958/ajbe.3.1.2
- D'Agostino, F., Gaus, G., & Thrasher, J. (2011). Contemporary Approaches to the Social Contract. *The Stanford Encyclopedia of Philosophy* (Winter 2011 Edition), Available at <https://plato.stanford.edu/archives/win2011/entries/contractarianism-contemporary>.
- Dalton, D. R., Daily, C. M., Ellstrand, A., & Johnson, J. 1998. Board composition, leadership structure, and financial performance: Meta-analytic reviews and research agenda. *Strategic Management Journal*, 19, 269-290 .
- Dalton, D. R., Hitt, M. A., Certo, S. T., & Dalton, C. M. 2007. The fundamental agency problem and its mitigation: Independence, equity and the market for corporate control. *Academy of Management Annals*, 1, 1-64.
- Daske, H., & Gebhardt, G. (2006). International financial reporting standards and experts' perceptions of disclosure quality. *Abacus*, 42(3/4), 461–498. doi:10.1111/j.1467-6281.2006.00211.x
- De George, E. T., Li, X., & Shivakumar, L. (2016). A review of the IFRS adoption literature. *Review of Accounting Studies*. 2016, 21(3), 898–1004. doi:10.1007/s11142-016-9363-1
- De Haas, R., & Van Lelyveld, I. (2006). Foreign banks and credit stability in Central and Eastern Europe. A panel data analysis. *Journal of banking & Finance*, 30(7), 1927–1952. doi:10.1016/j.jbankfin.2005.07.007
- de Vaus, D. A. (2002). *Surveys in Social Research* (5th ed.). Allen & Unwin: Crows Nest, Australia.
- De Wet, J. H. (2005). EVA versus traditional accounting measures of performance as drivers of shareholder value—A comparative analysis. *Meditari Accountancy Research*, 13(2), 1-16. doi:10.1108/10222529200500009
- De Wet, J., & Du Toit, E. (2007). Return on equity: A popular, but flawed measure of corporate financial performance. *South African Journal of Business Management*, 38(1), 59–69. doi: 10.4102/sajbm.v38i1.578
- Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures—a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282–311. doi:10.1108/09513570210435852

- Deegan, C., & Rankin, M. (1997). The materiality of environmental information to users of annual reports. *Accounting, Auditing & Accountability Journal*, 10(4), 562–583. doi:10.1108/09513579710367485
- Deegan, C., & Unerman, J. (2006). *Financial accounting theory*, UK: McGraw-Hill. London: McGraw Hill.
- Deegan, C., Rankin, M., & Tobin, J. (2002). An examination of the corporate social and environmental disclosures of BHP from 1983-1997: A test of legitimacy theory. *Accounting, Auditing & Accountability Journal*, 15(3), 312–343. doi:10.1108/09513570210435861
- Deloitte. (2012). *Integrated Reporting: Navigating Your to a truly Integrated Report*. Deloitte, 3rd Edition.
- Denzin, N. K. (1970). *The research act: A theoretical introduction to sociological methods*. Chicago: Aldine Publishing Company.
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59–100. doi:10.2308/accr.00000005
- Dienes, D., Sassen, R., & Fischer, J. (2016). What are the drivers of sustainability reporting? A systematic review. *Sustainability Accounting, Management and Policy Journal*, 7(2), 154–189. doi:10.1108/SAMPJ-08-2014-0050
- Dilling, P. (2010). Sustainability Reporting In A Global Context: What Are The Characteristics of Corporations That Provide High Quality Sustainability Reports An Empirical Analysis. *International Business & Economics Research Journal (IBER)*, 9(1). doi: 10.19030/iber.v9i1.505
- Donaldson, T., & Preston, L. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review*, 20(1), 65. doi: 10.2307/258887
- Dragu, I. M., & Tiron-Tudor, A. (2013). The integrated reporting initiative from an institutional perspective: emergent factors. *Procedia-Social and Behavioral Sciences*, 92, 275–279. doi:10.1016/j.sbspro.2013.08.672
- Drost, E. A. (2011). Validity and reliability in social science research. *Education Research and Perspectives*, 38(1), 105–124.
- Dubosson-Torrey, M., Osterwalder, A., & Pigneur, Y. (2002). E-business model design, classification, and measurements. *Thunderbird International Business Review*, 44(1), 5-23
- Dumontier, P., & Raffournier, B. (1998). Why firms comply voluntarily with IAS: An empirical analysis with Swiss data. *Journal of International Financial Management & Accounting*, 9(3), 216–245. doi:10.1111/1467-646X.00038
- Dye, R. (1985). Disclosure of Nonproprietary Information. *Journal of Accounting Research*, 23(1), 123. doi: 10.2307/2490910
- Dyllick, T., & Hockerts, K. (2002). Beyond the business case for corporate sustainability. *Business Strategy and the Environment*, 11(2), 130–141. doi: 10.1002/bse.323
- Eccles, R., & Serafeim, G. (2015). Corporate and Integrated Reporting: a functional perspective. In E. Lawler, S. Mohrman, & J. O’Toole (Eds.), *Stewardship of the future*. Greenleaf Publishing.

- Eisenhardt, K. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, 14(4), 532. doi: 10.2307/258557
- Elkington, J. (1998). Partnerships from cannibals with forks: The triple bottom line of 21st-century business. *Environmental Quality Management*, 8(1), 37–51. doi:10.1002/tqem.3310080106
- Elmagrhi, M., Ntim, C. and Wang, Y. (2016). Antecedents of voluntary corporate governance disclosure: a post-2007/08 financial crisis evidence from the influential UK Combined Code. *Corporate Governance*, 16 (3), 507–538. <https://doi.org/10.1108/CG-01-2016-0006>
- Eng, L., & Mak, Y. (2003). Corporate governance and voluntary disclosure. *Journal of Accounting and Public Policy*, 22(4), 325–345. doi: 10.1016/s0278-4254(03)00037-1
- Engle, R. F. (1983). Estimates of the variance of US inflation based upon the ARCH Model. *Journal of Money, Credit and Banking*, 15(3), 286–301. doi:10.2307/1992480
- Erkens, M., Paugam, L., & Stolowy, H. (2015). Non-financial information: state of the art and research perspectives based on a bibliometric study. *Comptabilité – Contrôle – Audit*, 21 (3), 15–92. doi: 10.3917/cca.213.0015
- European Commission. (2011). COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. Available at: [http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com\(2011\)0681_/com_com\(2011\)0681_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com(2011)0681_/com_com(2011)0681_en.pdf)
- F. Bravo, F., Abad, M.C. and Trombetta, M. (2009). Disclosure Indices Design: Does it Make a Difference?. *Spanish Accounting Review*, 12(2), 253-278. DOI: 10.1016/S1138-4891(09)70008-1
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics*, 26(2), 301–325. doi:10.1086/467037?journalCode=jle
- Faulkender, M., Flannery, M. J., Hankins, K. W., & Smith, J. M. (2012). Cash flows and leverage adjustments. *Journal of Financial Economics*, 103(3), 632-646. doi:10.1016/j.jfineco.2011.10.013
- Fernando, A. A. J. & Pandey, I. M. (2012). Corporate social responsibility reporting: A survey of listed Sri Lankan companies. *Journal for International Business and Entrepreneurship Development*, 6, 172-187.
- Ferreira, D., & Rezende, M. (2007). Corporate strategy and information disclosure. *The RAND Journal of Economics*, 38(1), 164–184. doi:10.1111/j.1756-2171.2007.tb00050.x
- Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. New York: SAGE.
- FiRe. (2017). Financial Reporting Awards. Available at : <https://www.icpak.com/fire-awards/>
- Flannery, M.J., & Hankins, K.W. (2012). Estimating Dynamic Panel Models in Corporate Finance. *Journal of Corporate Finance*, 2013, 19 (C), 1-19.
- Folajimi, A. & Fofah, T. (2015). Ethics, Corporate Governance and Financial Reporting in the Nigerian Banking Industry: Global Role of International Financial Reporting Standards. *Accounting and Finance Research*. 5. 10.5430/afr.v5n1p50.

- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50. doi:10.2307/3151312
- Fortanier, F., Kolk, A., & Pinkse, J. (2011). Harmonization in CSR Reporting. *Management International Review*, 51(5), 665–696. doi: 10.1007/s11575-011-0089-9
- Freeman, R. (1984). *Strategic management: a stakeholder approach*. Boston : Pitman Publishing.
- Frias-Aceituno, J. V., Rodríguez-Ariza, L., & Garcia-Sánchez, I. M. (2014). Explanatory factors of integrated sustainability and financial reporting. *Business strategy and the environment*, 23(1), 56-72. doi:10.1002/bse.1765
- Friedman, M. (2007). The social responsibility of business is to increase its profits. In W. Zimmerli, M. Holzinger, & K. Richter (Eds.), *Corporate ethics and corporate governance*, 173–178. Springer, Berlin: Heidelberg.
- Gao, S., Heravi, S., & Xiao, J. (2005). Determinants of corporate social and environmental reporting in Hong Kong: a research note. *Accounting Forum*, 29(2), 233–242. doi: 10.1016/j.acfor.2005.01.002
- García-Sánchez, Isabel-María & Rodríguez-Ariza, Lázaro & Frías-Aceituno, José-Valeriano, (2013). The cultural system and integrated reporting. *International Business Review*, Elsevier, 22(5), 828-838. DOI: 10.1016/j.ibusrev.2013.01.007
- Gasperini, A., Bigotto, P., & Doni, F. (2013). The integrated report and the financial analysts' perception. *ELASM 9th Interdisciplinary Workshop on Intangibles, Intellectual Capital and extra financial information*. pp. 1–22. Denmark.
- George, G., & Bock, A. J. (2011). The business model in practice and its implications for entrepreneurship research. *Entrepreneurship Theory and Practice*, 35(1), 83–111. doi:10.1111/j.1540-6520.2010.00424.x
- Ghasemi, A., & Zahediasl, S. (2012). Normality Tests for Statistical Analysis: A Guide for Non-Statisticians. *International Journal of Endocrinology and Metabolism*, 10(2), 486–489. doi: 10.5812/ijem.3505
- Ghazali, N.A and Weetman, P. (2006). Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis. *J. Int. Account. Audit. Taxation* 4(2), 226-248
- Ghaziani, A., & Ventresca, M. J. (2005). Keywords and cultural change: Frame analysis of business model public talk, 1975–2000. *Sociological Forum*, 20(4), 523-559. doi:10.1007/s11206-005-9057-0
- Gill, J., & Johnson, P. (1997). *Research methods for managers*. London: Paul Chapman Publishing Ltd.
- Giuliani, M. (2009). Intellectual capital under the temporal lens. *Journal of Intellectual Capital*, 10(2), 246-259. <http://dx.doi.org/10.1108/14691930910952641>
- Glaum, M., & Street, D. L. (2003). Compliance with the disclosure requirements of Germany's new market: IAS versus US GAAP. *Journal of International Financial Management & Accounting*, 14(1), 64–100. doi:10.1111/1467-646X.00090

- Goldring, G. (1981). Mandatory Disclosure of Corporate Projections and the Goals of Securities Regulation. *Columbia Law Review*, 81(7), 1525–1542. doi:10.2307/1122207
- Gonzalez-Bañales, D. L., & Adam, M. R. (2007). Web survey design and implementation: Best practices for empirical research. *European and Mediterranean Conference on Information Systems* (pp. 1–10). Valencia, Spain.: EMCIS.
- Greene, J. C., Caracelli, V. J., & Graham, W. F. (1989). Toward a conceptual framework for mixed-method evaluation designs. *Educational Evaluation and Policy Analysis*, 11(3), 255–274. doi:10.3102/01623737011003255
- Greene, W. H. (2008). *Econometric analysis* (6 ed.). Upper Saddle River, NJ: Prentice Hall.
- Greenhouse, S. W., & Geisser, S. (1959). On methods in the analysis of profile data. *Psychometrika*, 24, 95–112. <https://doi.org/10.1007/BF02289823>
- Greenlaw, C., & Brown-Welty, S. (2009). A comparison of web-based and paper-based survey methods: testing assumptions of survey mode and response cost. *Evaluation Review*, 33(5), 464–480. doi:10.1177/0193841X09340214
- Grix, J. (2004). *The Foundations of Research*. London: Palgrave Macmillan.
- Guba, E. G., & Lincoln, Y. S. (1989). *Fourth generation evaluation*. Newbury Park, CA: SAGE.
- Gujarati, D. N., & Porter, D. C. (2009). *Basic econometrics* (5th ed.). Boston, MA: McGraw-Hill.
- Guyatt, D.J., Birgden, H., & Jia, X. (2009). Gaining ground: integrating environmental, social and governance (ESG) factors into investment processes in emerging markets. IFC and Mercer.
- Haji, A.A., and Hossain, D.M. (2016). Exploring the implications of integrated reporting on organisational reporting practice. *Qual Res Account Manage*, 13(4):415–444. <https://doi.org/10.1108/qram-07-2015-0065>
- Haksever, C., Chaganti, R., & Cook, R. G. (2004). A model of value creation: Strategic view. *Journal of Business Ethics*, 49(3), 295–307. doi:10.1023/B:BUSI.0000017968.21563.05
- Haniffa R.M. and Cooke T.E. (2002). Culture, Corporate Governance and Disclosure in Malaysian Corporations, *ABACUS*, 38, 27-60.
- Hansen, L. P. (1982). Large Sample Properties of Generalized Method of Moments Estimators. *Econometrica*, 50,1029–1054.
- Hao, S. (2014). Corporate Integrated Reporting in Canada: Are the Businesses Ready?. *SSRN Electronic Journal*. doi: 10.2139/ssrn.2531522
- Harris, M., & Raviv, A. (1978). Some results on incentive contracts with applications to education and employment, health insurance, and law enforcement. *The American Economic Review*, 68(1), 20-30.
- Harvey, A. (1977). Some Comments on Multicollinearity in Regression. *Applied Statistics*, 26(2), 188–191. doi: 10.2307/2347027
- Hasseldine, J., Salama, A. I., & Toms, J. S. (2005). Quantity versus quality: the impact of environmental disclosures on the reputations of UK Plcs. *The British Accounting Review*, 37(2), 231-248. doi:10.1016/j.bar.2004.10.003

- Hausman, J. A. (1978). Specification tests in econometrics. *Econometrica: Journal of the Econometric Society*, 1251–1271. doi:10.2307/1913827
- Hausman, J. A., & Taylor, W. E. (1981). Panel data and unobservable individual effects. *Econometrica: Journal of the Econometric Society*, 1377–1398. doi:10.2307/1911406
- Healy, P., & Palepu, K. (2001). Information Asymmetry, Corporate Disclosure and the Capital Markets: A Review of the Empirical Disclosure Literature. SSRN Electronic Journal. doi: 10.2139/ssrn.258514
- Hearit, K. M. (1995). Mistakes were made: Organizations, apologia, and crises of social legitimacy. *Communication Studies*, 46(1-2), 1–17. doi:10.1080/10510979509368435
- Hedberg, C. J., & Von Malmborg, F. (2003). The global reporting initiative and corporate sustainability reporting in Swedish companies. *Corporate Social Responsibility and Environmental Management*, 10(3), 153–164. doi:10.1002/csr.38
- Henderson, D. A., & Denison, D. R. (1989). Stepwise Regression in Social and Psychological Research. *Psychological Reports*, 64(1), 251–257. <https://doi.org/10.2466/pr0.1989.64.1.251>
- Hirsch, P., Michaels, S., & Friedman, R. (1987). “Dirty hands” versus “clean models”. *Theory and Society*, 16(3), 317–336. doi:10.1007%2F00139485
- Ho, S.S.M. and Wong, K.S. (2001). A study of the relationship between corporate governance structures and the extent of voluntary disclosure. *Journal of International Accounting, Auditing and Taxation*, 10, 139-156.
- Hodgdon, C., Tondkar, R. H., Adhikari, A., & Harless, D. W. (2009). Compliance with International Financial Reporting Standards and auditor choice: New evidence on the importance of the statutory audit. *The International Journal of Accounting*, 44(1), 33–55. doi:10.1016/j.intacc.2008.12.003
- Hofmann, C. (2001). *Balancing financial and non-financial performance measures*. Hanover, Germany: University of Hanover.
- Hossain M, Ahmed K, & Godfrey JM. (2005). Investment Opportunity Set and Voluntary Disclosure of Prospective Information: A Simultaneous Equations Approach. *Journal of Business Finance Accounting*, 32(5-6), 877-907.
- Hrasky, S., & Smith, B. (2008). Concise corporate reporting: communication or symbolism? *Corporate Communications: An International Journal*, 13(4), 418–432. doi:10.1108/13563280810914847
- Hsiao, C. (2003). *Analysis of panel data* (2nd ed.). Cambridge, UK: Cambridge University Press.
- Hsiao, C. (2007). Panel data analysis—advantages and challenges. *TEST*, 16(1), 1–22. doi: 10.1007/s11749-007-0046-x
- Huang, R., & Ritter, J. R. (2009). Testing theories of capital structure and estimating the speed of adjustment. *Journal of Financial and Quantitative Analysis*, 44(2), 237–271. doi:10.1017/S0022109009090152
- Hussainey, K., & Al-Najjar, B. (2011). Future-oriented narrative reporting: determinants and use. *Journal of Applied Accounting Research*, 12(2), 123–138. doi:10.1108/09675421111160691

- IASB. (2008). Exposure Draft on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision. London.
- IASB. (2014). International Financial Reporting Standards. London, UK: IFRS Foundation.
- IASB. (2016). International Financial Reporting Standards. London, UK: IFRS Foundation.
- iasplus (2013). Available at: <https://www.iasplus.com/en/news/2013/02/iasb-iirc-mou>
- IIRC. (2010). Press Release Formation of the International Integrated Reporting Committee, 2 August 2010. Available at : <http://integratedreporting.org/wp-content/uploads/2011/03/Press-Release1.pdf>
- IIRC. (2011). Towards Integrated Reporting: Communicating Value in the 21st Century. Available at http://integratedreporting.org/wp-content/uploads/2011/09/IR-Discussion-Paper-2011_spreads.pdf (Accessed 10 September 2017)
- IIRC. (2012). Building the Business Case for Integrated Reporting. Available at: <http://integratedreporting.org/wp-content/uploads/2012/11/BUILDING-THE-BUSINESS-CASE-FOR-INTEGRATED-REPORTING.pdf>
- IIRC. (2013). The International Integrated Reporting Framework. Retrieved from <https://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>
- Inchausti, B. (1997). The influence of company characteristics and accounting regulation on information disclosed by Spanish firms. *European Accounting Review*, 6(1), 45–68. doi: 10.1080/096381897336863
- International Finance Corporation (2018). Available at: https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/ifc+history/establishing-emerging-markets
- INTOSAI (2001). Guidance on Conducting Audits of Activities with an Environmental Perspective. The Hague, 58 pp. Available at: www.environmental-auditing.org
- Ioannis, T. (2009). Adoption of IFRS by Greek listed companies: Financial statement effects, level of compliance and value relevance. Edinburg, UK: The University of Edinburg.
- IoDSA. (2002). King report on corporate governance for South Africa. Johannesburg, South Africa: Institute of Directors Southern Africa. Retrieved from http://library.ufs.ac.za/dl/userfiles/documents/Information_Resources/KingII%20Final%20doc.pdf.
- IoDSA. (2016). King IV; Report on corporate governance in South Africa, 2016. Johannesburg, South Africa: Institute of Directors in Southern Africa. Retrieved from <https://www.adamsadams.com/wp-content/uploads/2016/11/King-IV-Report.pdf>
- IRA (2015). Corporate Governance Guidelines for Insurance Companies. Available at: <https://www.ira.go.ke/index.php/regulatory-framework/prodential-guidelines/guidelines-to-insurers>
- Jarque, C. M., & Bera, A. K. (1987). A test for normality of observations and regression residuals. *International Statistical Review/Revue Internationale de Statistique*, 55(2), 163–172. doi:10.2307/1403192

- Jeanjean, T., & Ramirez, C. (2009). Back to the origins of positive theories: A contribution to an analysis of paradigm changes in accounting research. *Accounting in Europe*, 6(1), 107–126. doi:10.1080/17449480902896510
- Jensen, J. C., & Berg, N. (2012). Determinants of traditional sustainability reporting versus integrated reporting. An institutionalist approach. *Business Strategy and the Environment*, 21(5), 299–316. doi:10.1002/bse.740
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. doi:10.1016/0304-405X(76)90026-X
- Jesover, F., & Kirkpatrick, G. (2005). The revised OECD principles of corporate governance and their relevance to non-OECD countries. *Corporate Governance: An International Review*, 13(2), 127–136. doi:10.1111/j.1467-8683.2005.00412.x
- Jolliffe, I. T. (1973). Discarding Variables in a Principal Component Analysis. II: Real Data. *Journal of the Royal Statistical Society. Series C (Applied Statistics)*, 22(1), 21–31
- Jolliffe, I. T. (2002). *Principal component analysis* (2nd ed.). New York: Springer.
- Jonas, G. J., & Blanchet, J. (2000). Assessing quality of financial reporting. *Accounting Horizons*, 14(3), 353–363. doi:10.2308/acch.2000.14.3.353
- Juhmani, O. I. (2012). Ownership structure and corporate voluntary disclosure: Evidence from Bahrain. *International Journal of Accounting and Financial Reporting*, 3(2), 133–148. doi:10.5296/ijafr.v3i2.4088
- Kaczmirek, L. (2005). Web surveys. A brief guide on usability and implementation issues. In M. Hassenzahl, & M. Peissner (Eds.), *Usability Professionals* (102–105). Berlin: German Chapter of the Usability Professionals Association .
- Kaler, J. (2002). Morality and strategy in stakeholder identification. *Journal of Business Ethics*, 39(1-2), 91–99. doi:10.1023/A:1016336118528
- Kaler, J. (2003). Differentiating stakeholder theories. *Journal of Business Ethics*, 46(1), 71–83. doi:10.1023/A:1024794710899
- Kaler, J. (2006). Evaluating stakeholder theory. *Journal of Business Ethics*, 69(3), 249–268. doi:10.1007/s10551-006-9089-2
- Kaplan, S., & Ruland, R. (1991). Positive theory, rationality and accounting regulation. *Critical Perspectives On Accounting*, 2(4), 361–374. doi: 10.1016/1045-2354(91)90008-2
- Kass, A. (2012). *Towards Mainstreaming Integrated Reporting – Theoretical Landscape and Practical Insights*. GRIN Verlag.
- Khan, H. U. (2010). The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh. *International Journal of Law and Management*, 52(2), 82–109. doi:10.1108/17542431011029406
- Khan, M. A. (2014). Challenges for MNEs operating in emerging markets. Retrieved from www.aabri.com/LV2014Manuscripts/LV14045.pdf.
- Khasharmeh, H., & Suwaidan, M. (2010). Social responsibility disclosure in corporate annual reports: evidence from the Gulf Cooperation Council countries. *International Journal of Accounting, Auditing and Performance Evaluation*, 6(4), 327. doi: 10.1504/jjaape.2010.036150

- Kipchoge, A. K. (2015). Effect of corporate attributes on international financial reporting standards disclosure level. Evidence from Kenya listed firms. *Research Journal of Finance and Accounting*, 6(1), 97-107.
- Kish, L. (1979). Samples and censuses. *International Statistical Review*, 47(2), 99–109. doi:10.2307/1402563
- KNBS. (2017). Economic Survey. Nairobi, Kenya: Kenya National Bureau of Statistics. Retrieved from [https://www.knbs.or.ke/publications/Economic Survey](https://www.knbs.or.ke/publications/Economic%20Survey)
- Kothari, C. (1985). *Research methodology methods and techniques*. New Delhi: New Age International Limited Publishers.
- Krzus, M. P. (2011). Integrated reporting: if not now, when? *Zeitschrift für internationale Rechnungslegung*, 6, 271–276.
- Kvale, S. (1996). *Interviews: an introduction to qualitative research interviewing*. Thousand Oaks, CA: SAGE.
- Kvale S. (2003b). The psychoanalytic interview as inspiration for qualitative research. Camic PM, Rhodes JE, Yardley L, editors. In *Qualitative research in psychology: Expanding perspectives in methodology and design*. Washington, DC: American Psychological Association. 275-297.
- Lakhal, F. (2005). Voluntary Earnings Disclosures and Corporate Governance: Evidence from France. *Review of Accounting and Finance*, 4(3), 64–85. doi: 10.1108/eb043431
- Laksmana, I. (2008). Corporate Board Governance and Voluntary Disclosure of Executive Compensation Practices. *Contemporary Accounting Research*, 25(4), 1147–1182. doi: 10.1506/car.25.4.8
- Lan, L. L., & Heracleous, L. (2010). Rethinking agency theory: The view from law. *Academy of Management Review*, 35(2), 294–314. doi:10.5465/amr.35.2.zok294
- LeCompte, M. D., & Goetz, J. P. (1982). Problems of reliability and validity in ethnographic research. *Review of educational research*, 52(1), 31–60. doi:10.3102/0034654305200103
- Lee, C. and Morse, D. (1990). Summary annual reports. *Accounting Horizons*, 4 (1), 39-50.
- Lemmon, M. L., Roberts, M. R., & Zender, J. F. (2008). Back to the beginning: persistence and the cross-section of corporate capital structure. *The Journal of Finance*, 63(4), 1575-1608. doi:10.1111/j.1540-6261.2008.01369.x
- Lepkowski, C. (2011). Population. In P. Lavrakas (Ed.), *Encyclopedia of survey research methods*. New York: SAGE.
- Letza, S., Sun, X., & Kirkbride, J. (2004). Shareholding versus Stakeholding: A critical review of corporate governance. *Corporate Governance: An International Review*, 12(3), 242–262. doi:10.1111/j.1467-8683.2004.00367.x
- Libby, H. N., & Rollinson, M. (1976). Securities law of materiality as it may relate to "optional" publication of projections. *The Business Lawyer*, 31(2), 701–706.
- Lind, D., Marchal, A., & Wathen, S. (2006). *Statistical techniques in business and economics with global data sheets* (13th ed.). Irwin, NY: McGraw-Hill.
- Linsley, P. M., & Shrives, P. J. (2006). Risk reporting: A study of risk disclosures in the annual reports of UK companies. *The British Accounting Review*, 38(4), 387–404. doi:10.1016/j.bar.2006.05.002

- Love, T. (2000). Philosophy of Design: a meta-theoretical structure for design theory. *Design Studies*(21): 293-313.
- Luft, J. L., & Shields, M. D. (2001). Why does fixation persist? Experimental evidence on the judgment performance effects of expensing intangibles. *The Accounting Review*, 56(4), 561–587. doi:10.2308/accr.2001.76.4.561
- Lyons, A. C., Cude, B., Lawrence, F. C., and Gutter, M. (2005). Conducting Research Online: Challenges Facing Researchers in Family and Consumer Sciences. *Family and Consumer Sciences Research Journal*, 33(4), 341-356.
- Maali, B., Casson, P., & Napier, C. (2006). Social reporting by Islamic banks. *Abacus*, 42(2), 266-289. doi:10.1111/j.1467–6281.2006.00200.x
- Mack, L. (2010). The philosophical underpinnings of educational research. *Polyglossia*, 19, 5–11.
- Magretta, J. (2002). Why business models matter. *Harvard Business Review*, 3-8. Available at: <https://hbr.org/2002/05/why-business-models-matter>
- Maines, L. A., & Wahlen, J. M. (2006). The nature of accounting information reliability: Inferences from archival and experimental research. *Accounting Horizons*, 20(4), 399–425. doi:10.2308/acch.2006.20.4.399
- Mangena, M., Li, J., & Taurigana, V. (2016). Disentangling the effects of corporate disclosure on the cost of equity capital: a study of the role of intellectual capital disclosure. *Journal of Accounting, Auditing & Finance*, 31(1), 3–27. doi:10.1177/0148558X14541443
- Manita, R., Bruna, M.G., Dang, R. and Houanti, L. (2018). Board gender diversity and ESG disclosure: evidence from the USA. *Journal of Applied Accounting Research*, 19 (2), 206-224. <https://doi.org/10.1108/JAAR-01-2017-0024>
- Marshall, S. R., & Brown, D. (2003). Corporate environmental reporting: what's in a metric? *Business Strategy and the Environment*, 12(2), 87–106. doi:10.1002/bse.354
- Marston, C., & Shrives, P. (1991). The use of disclosure indices in accounting research: A review article. *The British Accounting Review*, 23(3), 195–210. doi: 10.1016/0890-8389(91)90080-I
- Martinez, R. J., & Dacin, M. T. (1999). Efficiency motives and normative forces: Combining transactions costs and institutional logic. *Journal of Management*, 25(1), 75–96. doi:10.1177/014920639902500104
- Mathews, M. R. (1993). *Socially responsible accounting*. London: Chapman–Hall.
- Matthews, K., Murinde, V., & Zhao, T. (2007). Competitive conditions among the major British banks. *Journal of Banking & Finance*, 31(7), 2025–2042. doi:10.1016/j.jbankfin.2006.11.009
- Maurer, J. G. (1971). *Readings in organization theory: open-system approaches*. New York: Random House.
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20(3), 709–734. doi:10.5465/AMR.1995.9508080335
- Mazodier, & Trognon. (1978). Heteroscedasticity and Stratification in Error Components Models. *Annales De L'insée*, (30/31), 451. doi: 10.2307/20075300
- Mccarthy, D., & Puffer, S. (2008). Interpreting the Ethicality of Corporate Governance Decisions in Russia: Utilizing Integrative Social Contracts Theory to Evaluate

- the Relevance of Agency Theory Norms. *Academy of Management Review*, 33(1), 11–31. doi: 10.5465/amr.2008.27745006
- McFie, J. B. (2010). *High quality financial reporting, the case of Nairobi Stock Exchange*. Lambert Academic Publishing.
- McGuirk, P. M., & O'Neill, P. (2005). Using questionnaires in qualitative human geography . In I. Hay (Ed.). *Qualitative research methods in human geography*, 147–162. Oxford: Oxford University Press.
- McKnight, P. E., & Najab, J. (2010). Kruskal-Wallis test. *The Corsini Encyclopedia of Psychology*, 1(1), 11-23. doi:10.1002/9780470479216.corpsy0491
- McNally, G. M., Eng, L. H., & Hasseldine, C. R. (1982). Corporate financial reporting in New Zealand: An analysis of user preferences, corporate characteristics and disclosure practices for discretionary information. *Accounting and Business Research*, 13(49), 11–20. doi:10.1080/00014788.1982.9729725?journalCode=rabr20
- Meek, G. K., Roberts, C. B., & Gray, S. J. (1995). Factors influencing voluntary annual report disclosures by US, UK and continental European multinational corporations. *Journal of International Business Studies*, 26(3), 555–572. doi:10.1057/palgrave.jibs.8490186
- Merriam, S. B. (1998). *Qualitative research and case study applications in education*. Revised and expanded from "Case study research in education". San Francisco, CA: Jossey-Bass.
- Messick, S. (1989). Meaning and values in test validation: The science and ethics of assessment. *Educational Researcher*, 18(2), 5–11. doi:10.3102/0013189X018002005
- Miller, G. S. (2002). Earnings performance and discretionary disclosure. *Journal of Accounting Research*, 40(1), 173-204. doi:10.1111/1475-679X.00043
- Miller, P. B., & Bahnson, P. R. (2010). Continuing the normative dialog: Illuminating the asset/liability theory. *Accounting Horizons*, 24(3), 419–440. doi:10.2308/acch.2010.24.3.419
- Miller, R. R. (1998). *Selling to newly emerging markets* . New York: Quorum Books.
- Milne, M. J., & Patten, D. M. (2002). Securing organizational legitimacy: An experimental decision case examining the impact of environmental disclosures. *Accounting, Auditing & Accountability Journal*, 15(3), 372–405. doi:10.1108/09513570210435889
- Mio, C., & Fasan, M. (2013). The Determinants of Materiality Disclosure in Integrated Corporate Disclosure. *SSRN Electronic Journal*. doi: 10.2139/ssrn.2443929
- Mohajan, H. (2017). Two criteria for good measurements in research: Validity and Reliability. *Annals Of Spiru Haret University. Economic Series*, 17(4), 59–82. doi: 10.26458/1746
- Morellec, E., Nikolov, B., and Schurhoff, N. (2012). Corporate governance and capital structure dynamics. *Journal of Finance* 67(3), 801–847
- Morhardt, J. E. (2010). Corporate social responsibility and sustainability reporting on the internet. *Business Strategy and the Environment*, 19(7), 436–452. doi:10.1002/bse.657
- Morris, M., Schindehutte, M., & Allen, J. (2005). The entrepreneur's business model: toward a unified perspective. *Journal of Business Research*, 58(6), 726–735. doi:10.1016/j.jbusres.2003.11.001

- Mousa, G.A. (2004). The Auditor's Role and Responsibilities towards Auditing Environmental Performance of Firms. Thesis submitted in fulfillment of the Degree of Doctor of Philosophy (PhD), University of Durham, Business School, UK
- Negash, M. (2001). Uncertainty, cost of capital and financial disclosure. *South African Journal of Accounting Research*, 15(2), 49-76.
- Neu, D., Warsame, H., & Pedwell, K. (1998). Managing public impressions: Environmental disclosures in annual reports. *Accounting, Organizations and Society*, 23(3), 265-282. doi:10.1016/S0361-3682(97)00008-1
- NSE. (2016). About NSE. Nairobi Securities Exchange. Retrieved 6 August 2016, from <https://www.nse.co.ke/nse/about-nse.html>
- Nunan, D. (1999). *Research methods in language learning* (8th ed.). Cambridge: Cambridge University Press.
- O'Brien, R. M. (2007). A caution regarding rules of thumb for variance inflation factors. *Quality & Quantity*, 41(5), 673–690. doi:10.1007/s11135-006-9018-6
- O'Donovan, G. (2002). Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing & Accountability Journal*, 15(3), 344-371. <https://doi.org/10.1108/09513570210435870>
- OECD. (1999). *OECD principles of corporate governance*. Paris, France: OECD Publishing. doi:10.1787/9789264173705-en.
- OECD. (2015). *G20/OECD principles of corporate governance*. Paris, France: OECD Publishing. doi:10.1787/9789264236882-en.
- Ohlson, J. A. (1990). A synthesis of security valuation theory and the role of dividends, cash flows, and earnings. *Contemporary Accounting Research*, 6(2), 648-676. doi:10.1111/j.1911-3846.1990.tb00780.x
- Ohlson, J. A. (1995). Earnings, book values, and dividends in equity valuation. *Contemporary Accounting Research*, 11(2), 661-687. doi:10.1111/j.1911-3846.1995.tb00461.x
- O'Leary, Z. (2004). *The essential guide to doing research*. London: SAGE.
- Oluwatayo, J. A. (2012). Validity and reliability issues in educational research. *Journal of Educational and Social Research*, 2(2), 391–400. Doi:10.5901/jesr.2012.v2n2.391
- Onwuegbuzie, A. J., & Daniel, L. G. (1999). Uses and misuses of the correlation coefficient. *Research in the Schools*, 9(1), 73–90.
- Onwuegbuzie, A. J., & Johnson, R. B. (2006). The validity issue in mixed research. *Research in the Schools*, 13(1), 48-63.
- Osterwalder, A. (2004). *The business model ontology: A proposition in a design science approach* (PhD Dissertation). Lausanne: University de Lausanne.
- Osterwalder, A., Pigneur, Y., & Tucci, C. (2005). Clarifying Business Models: Origins, Present, and Future of the Concept. *Communications of the Association for Information Systems*, 16. doi: 10.17705/1cais.01601
- Owusu-Ansah S (1998). The impact of corporate attributes on the extent of mandatory Disclosure and reporting by listed companies in Zimbabwe. *International Journal of Accounting*, 33, 605-631.

- Owusu-Ansah, S., & Yeoh, J. (2005). The Effect of Legislation on Corporate Disclosure Practices. *Abacus*, 41(1), 92-109.
- Pahuja, A., & Bhatia, B. S. (2010). Determinants of corporate governance disclosures: Evidence from companies in Northern India. *IUP Journal of Corporate Governance*, 9(3), 69-88.
- Park, H. M. (2009). Practical guides to panel data modeling: A step-by-step analysis using Stata. Tutorial working paper. Tokyo, Japan: Graduate School of International Relations, International University of Japan.
- Patten, D. M. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: a note on legitimacy theory. *Accounting, Organizations and Society*, 17(5), 471-475. doi:10.1016/0361-3682(92)90042-Q
- Paulhus, D. L. (1984). Two-component models of socially desirable responding. *Journal of personality and social psychology*, 46(3), 598-609.
- Perrow, C. (1986). *Complex organizations*. New York : Random House.
- Pittman, J. A., & Fortin, S. (2004). Auditor choice and the cost of debt capital for newly public firms. *Journal of Accounting and Economics*, 37(1), 113–136. doi:10.1016/j.jacceco.2003.06.005
- Porter, M. E. (1985). *Competitive advantage: Creating and sustaining superior performance*. New York: Free Press.
- Post, J. E., Preston, L. E., & Sauter-Sachs, S. (2002). *Redefining the corporation: Stakeholder management and organizational wealth*. Stanford, Calif: Stanford Business Books.
- Ramsey, J. (2005). The real meaning of value in trading relationships. *International Journal of Operations & Production Management*, 25(6), 549-565. doi:10.1108/01443570510599719
- Reich, R. 1998. The new meaning of corporate social responsibility. *California Management Review*, 40(2), 8-17.
- Reilly, F. K., & Brown, K. C. (2012). *Investment analysis and portfolio management*. Mason, OH: South-Western Cengage Learning
- Rencher, A. C. (2003). *Methods of multivariate analysis (2nd ed.)*. Hoboken, NJ.: John Wiley & Sons Ltd.
- Renders, A., & Gaeremynck, A. (2007). The impact of legal and voluntary investor protection on the early adoption of International Financial Reporting Standards (IFRS). *De Economist*, 155(1), 49–72. doi:10.1007/s10645-006-9041-y
- Roberts, C. B. (1991). Environmental disclosures: a note on reporting practices in mainland Europe. *Accounting, Auditing & Accountability Journal*, 4(3), 0-0(1). doi:10.1108/09513579110005536
- Robson, C. (2002). *Real World Research: A Resource for Social Scientists and Practitioner-researchers*. Oxford: Blackwell.
- Rodgers, L. J., & Nicewander, W. A. (1988). Thirteen ways to look at the correlation coefficient. *The American Statistician*, 42(1), 59-66. doi:10.1080/00031305.1988.10475524#.Wz4hV9UzZ0w
- Ross, S. (1977). The Determination of Financial Structure: The Incentive-Signalling Approach. *The Bell Journal of Economics*, 8(1), 23. doi: 10.2307/3003485

- Rossman, G. B., & Wilson, B. L. (1985). Numbers and words: Combining quantitative and qualitative methods in a single large-scale evaluation study. *Evaluation Review*, 9(5), 627–643. doi:10.1177/0193841x8500900505
- Rouf, M.A. & Hossain, M.M. (2011). The Corporate Social Responsibility Disclosure: A Study of Listed Companies in Bangladesh. *A Journal of Banking & Finance*. 35 & 36, 78–99.
- SAICA. (2010). An integrated report is a new requirement for listed companies. South Africa Institute of Chartered Accountants. Retrieved from: <https://www.saica.co.za/tabid/695/itemid/2344/language/en-ZA/An-integrated-report-is-a-new-requirement-for-list.aspx>
- Samaha, K., Dahawy, K., Hussainey, K., & Stapleton, P. (2012). The extent of corporate governance disclosure and its determinants in a developing market: The case of Egypt. *Advances in Accounting*, 28(1), 168–178. doi:10.1016/j.adiac.2011.12.001
- Santos, J. R. (1999). Cronbach's alpha: A tool for assessing the reliability of scales. *Journal of Extension*, 37(2), 1-5.
- Sarantakos, S. (2005). *Social Research* (2nd ed.). Hampshire: Palgrave Macmillan.
- Sargan, J. D. (1988). *Lectures on advanced econometric theory*. Oxford, UK: Basil Blackwell.
- Schnackenberg, A., & Tomlinson, E. (2016). Organizational Transparency. *Journal of Management*, 42(7), 1784–1810. doi: 10.1177/0149206314525202
- Scholtz, H. & Smit, A. (2015). Factors influencing corporate governance disclosure of companies listed on the Alternative Exchange (AltX) in South Africa. *South African Journal of Accounting Research*, 29, 29–50. doi:10.1080/10291954.2015.999471
- Schreiner, A., & Spremann, K. (2007). Multiples and their valuation accuracy in European Equity Markets . SSRN. doi:10.2139/ssrn.957352
- Schwab, K. (2014). *The Global Competitiveness Report 2013-2014*. The World Economic Forum, Geneva.
- Seelos, C., & Mair, J. (2007). Profitable business models and market creation in the context of deep poverty: A strategic view. *Academy of Management Perspectives*, 21(4), 49–63. doi:10.5465/AMP.2007.27895339
- Shafer, S. M., Smith, H. J., & Linder, J. C. (2005). The power of business models. *Business Horizons*, 48(3), 199-207. doi:10.1016/j.bushor.2004.10.014
- Shamil, M. M., Shaikh, J., Ho, P. L., & Krishnan, A. (2014). The influence of board characteristics on sustainability reporting: Empirical evidence from Sri Lankan firms. *Asian Review of Accounting*, 22(2), 78-97. doi:10.1108/ARA-09-2013-0060
- Sharma, N. (2013). Theoretical framework for corporate disclosure research. *Asian Journal of Finance & Accounting*, 5(1), 183–196. doi:10.5296/ajfa.v5i1.3210
- Shehu, A., & Masunda, T. (2015). Compliance with international financial reporting standards. *International Journal of Business and Management Invention*, 4(12), 26-36.
- Shocker, A. D., & Sethi, S. P. (1974). An approach to incorporating social preferences in developing corporate action strategies . In S. P. Sethi (Ed.), *The unstable ground: corporate social policy in a dynamic society*, 67–80. London: Melville, AC .

- Siegel, S., & Castellan, N. (2000). *Nonparametric statistics for the behavioural sciences*. New York, N.Y.: McGraw-Hill.
- Simon, M. K., & Goes, J. (2011). *Dissertation and scholarly research: Recipes for success*. Dissertation Success, LLC.: College Grove, OR.
- Singh, A. (1999). Should Africa promote stock market capitalism?. *Journal of International Development*, 11(3), 343–365. doi: 10.1002/(sici)1099-1328(199905/06)11:3<343::aid-jid593>3.0.co;2-q
- Slack, R., & Tsalavoutas, I. (2018). Integrated reporting decision usefulness: mainstream equity market views. *Accounting Forum*, 42(2), 184–198. doi:10.1016/j.accfor.2018.01.005
- Solomon, A., & Lewis, L. (2002). Incentives and disincentives for corporate environmental disclosure. *Business Strategy and the Environment*, 11(3), 154–169. doi:10.1002/bse.328
- Spence, M. (2002). Signalling in retrospect and the informational structure of markets. *American Economic Review*, 92, 434-459
- Sternberg, E. (1997). The Defects of Stakeholder Theory. *Corporate Governance*, 5(1), 3–10. doi: 10.1111/1467-8683.00034
- Steven B. Perfect and Kenneth W. Wiles (1994). Alternative constructions of Tobin's q: An empirical comparison. *Journal of Empirical Finance*, 1(3-4), 313-341.
- Stewart, D. W., & Zhao, Q. (2000). Internet marketing, business models, and public policy. *Journal of Public Policy & Marketing*, 19(2), 287–296. doi:10.1509/jppm.19.2.287.17125?code=amma-site
- Steyn, M. (2014). Organisational benefits and implementation challenges of mandatory integrated reporting. *Sustainability Accounting, Management and Policy Journal*, 5(4), 476–503. doi: 10.1108/sampj-11-2013-0052
- Stiglitz, J. E. (2000). The contributions of the economics of information to twentieth century economics. *The Quarterly Journal of Economics*, 115(4), 1441–1478. doi:10.1162/003355300555015
- Stiglitz, J. E. (2002). Information and the change in the paradigm in economics. *American Economic Review*, 92, 460-501.
- Street, D. L., & Gray, S. J. (2002). Factors influencing the extent of corporate compliance with International Accounting Standards: summary of a research monograph. *Journal of International Accounting, Auditing and Taxation*, 11(1), 51-76. doi:10.1016/S1061-9518(02)00054-X
- Strong, N., & Walker, M. (1993). The explanatory power of earnings for stock returns. *Accounting Review*, 385–399.
- Stubbs, W., & Higgins, C. (2013). Exploring the inhibitors and enablers of Integrated Reporting in Australia. *Academy of Management Proceedings*, 13116. doi: 10.5465/ambpp.2013.13116abstract
- Stubbs, W., & Higgins, C. (2014). Integrated reporting and internal mechanisms of change. *Accounting, Auditing & Accountability Journal*, 27(7), 1068–1089. doi:10.1108/AAAJ-03-2013-1279
- Stubbs, W., Higgins, C., & Milne, M. (2013). Why do companies not produce sustainability reports? *Business Strategy and the Environment*, 22(7), 456–470. doi:doi.org/10.1002/bse.1756

- Suchman, M. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3), 571. doi: 10.2307/258788
- Taherdoost, H. (2016). Validity and Reliability of the Research Instrument; How to Test the Validation of a Questionnaire/Survey in a Research. *SSRN Electronic Journal*. doi: 10.2139/ssrn.3205040
- Tam, K. Y., Kiang, M. Y., & Chi, R. T. (1991). Inducing stock screening rules for portfolio construction. *Journal of the Operational Research Society*, 42(9), 747–757. doi:10.1057/jors.1991.145
- Taplin, R., Tower, G., & Hancock, P. (2002). Disclosure (discernibility) and compliance of accounting policies: Asia-Pacific evidence. *Accounting Forum*, 26(2), 172–190. doi: 10.1111/1467-6303.00085
- Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha. *International Journal of Medical Education*, 2, 53–55. doi:10.5116/ijme.4dfb.8dfd
- Teddie, C., & Tashakkori, A. (2009). *Foundations of mixed methods research: Integrating quantitative and qualitative approaches in the social and behavioral sciences*. London: SAGE.
- Tengamnuay, K., & Stapleton, P. (2009). 'The role of the audit committee in Thailand: A mature monitoring mechanism or an evolving process? *Journal of Management and Governance*, 13, 131–161
- Thode, H. C. (2002). *Statistics: textbooks and monographs*, Vol. 164. Testing for normality. Marcel Dekker. <https://doi.org/10.1201/9780203910894>
- Thompson, J. D., & MacMillan, I. C. (2010). Business models: Creating new markets and societal wealth. *Long Range Planning*, 43(2-3), 291–307. doi:10.1016/j.lrp.2009.11.002
- Timmers, P. (1998). Business models for electronic markets. *Electronic Markets*, 8(2), 3-8. doi:10.1080/10196789800000016
- Toms, S. (2002). Firm resources, quality signals and the determinants of corporate environmental reputation: Some UK evidence. *British Accounting Review*, 34(3), 257–282. doi:10.1006/bare.2002.0211
- Tower, G., Hancock, P., & Taplin, R. (1999). A Regional Study of Listed Companies' Compliance with International Accounting Standards. *Accounting Forum*, 23(3), 293–305. doi: 10.1111/1467-6303.00016
- Townsend, Z., Buckley, J., Harada, M., & Scott, M. A. (2013). The choice between fixed and random effects. *The SAGE handbook of multilevel modeling*. London, UK: SAGE.
- Trueman, B. (1986). Why do managers voluntarily release earnings forecasts?. *Journal of Accounting and Economics*, 8(1), 53–71. doi: 10.1016/0165-4101(86)90010-8
- UNEP (2018). Corporate Sustainability Reporting by the United Nations Environmental Programme. Available at: <https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/responsible-industry/corporate-sustainability>
- Urban, B. (2008). The prevalence of entrepreneurial orientation in a developing country: juxtapositions with firm success and South Africa's innovation index. *Journal of Developmental Entrepreneurship*, 13(04), 425–443. doi:10.1142/s108494670800106x

- Urban, B., & Hwindingwi, R. (2016). The influence of institutional factors on MNC's triple bottom-line reporting: A focus on African emerging markets (AEMs). *International Journal of Emerging Markets*, 11(4), 497-513. doi:10.1108/IJoEM-08-2015-0164
- Value Based Management. (2014). Summary of value reporting. London, UK: PwC. Available at :www.valuebasedmanagement.net/methods_valuereporting.html
- van Bommel, K. (2014). Towards a legitimate compromise?. *Accounting, Auditing & Accountability Journal*, 27(7), 1157–1189. doi: 10.1108/aaaj-04-2013-1309
- Van Staden, C. J. (1999). Aspects of the predictive and explanatory power of value-added information in South Africa. *South African Journal of Accounting Research*, 13(2), 53-75. doi:10.1080/10291954.1999.11435088
- Van Zyl, A. (2014). Sustainability and Integrated Reporting in the South African Corporate Sector. *Journal of Sustainability Management*, 1(1), 19–42. doi: 10.19030/jsm.v1i1.8390
- Verrecchia, R. (1983). Discretionary Disclosure. *Journal of Accounting and Economics*, 5 (3), 179-194.
- Vicente, P., & Reis, E. (2010). Using questionnaire design to fight nonresponse bias in web surveys. *Social Science Computer Review*, 28(2), 251–267. doi:10.1177/0894439309340751
- Villiers, D. C., Rinaldi, L., & Unerman, J. (2014). Integrated reporting: Insights, gaps and an agenda for future research. *Accounting, Auditing & Accountability Journal*, 27(7), 1042–1067. doi:10.1108/AAAJ-06-2014-1736
- Vinten, G. (2001). Shareholder versus stakeholder—is there a governance dilemma? *Corporate Governance: An International Review*, 9(1), 36–47. doi:10.1111/1467-8683.00224
- Wallace, R., & Naser, K. (1995). Firm-specific determinants of the comprehensiveness of mandatory disclosure in the corporate annual reports of firms listed on the stock exchange of Hong Kong. *Journal of Accounting and Public Policy*, 14(4), 311–368. doi: 10.1016/0278-4254(95)00042-9
- Wang, J., Song, L., & Yao, S. (2013). The Determinants of Corporate Social Responsibility Disclosure: Evidence From China. *Journal of Applied Business Research*, 29(6), 1833. doi: 10.19030/jabr.v29i6.8220
- Wangombe, D. (2013). The quality of corporate environmental reporting in Kenya. *International Journal of Economics and Accounting*, 4(4), 327-349. doi: 10.1504/ijea.2013.059884
- Watts, R. L., & Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *The Accounting Review*, 53(1), 112–134.
- White, H. (1980). A heteroskedasticity-consistent covariance matrix estimator and a direct test for heteroskedasticity. *Econometrica*, 48(4), 817–838. doi:10.2307/1912934
- Whittall, H. (2008). A closer look at the Nuffield Council on Bioethics. *Clinical Ethics*, 3(4), 199-204. doi:10.1258/ce.2008.008034
- Whittington, G. (1993). Corporate governance and the regulation of financial reporting. *Accounting and Business Research*, 23(1), 311–319. doi:10.1080/00014788.1993.9729899

- Wieland, J. (2005). Corporate Governance, Values Management, and Standards: A European Perspective. *Business & Society*, 44(1), 74–93. doi: 10.1177/0007650305274852
- Willekens, M., Bauwhede, H. V., Gaeremynck, H. V., Ann, H. V., & Gucht, L. V. D. (2005). The impact of internal and external governance mechanisms on the voluntary disclosure of financial and non-financial performance. 15th National BAA Auditing SIG conference, 1–31
- Wooldridge, J. M. (2010). *Econometric analysis of cross section and panel data*. Cambridge, MA: MIT Press.
- World Bank. (2018). *The World Bank in Kenya*. Washington, D.C: World Bank. Retrieved from <https://www.worldbank.org/en/country/kenya>
- Yiadom, E., and Atsunyo, W. (2014). Compliance with International Financial Reporting Standards by Listed Companies in Ghana. *International Journal of Business and Management*, 9 (10), 87. doi: 10.5539/ijbm.v9n10p87
- Yin, R. K. (1994). *Case study research: Design and methods* (2nd Edition ed.). Thousand Oaks, CA: SAGE.
- Yip, G. S. (2004). Using strategy to change your business model. *Business Strategy Review*, 15(2), 17–24. doi:10.1111/j.0955-6419.2004.00308.x
- Zohrabi, M. (2013). Mixed method research: Instruments, validity, reliability and reporting findings. *Theory & Practice in Language Studies*, 3(2), 254–263. doi:10.4304/tpls.3.2.254-262
- Zott, C., Amit, R., & Massa, L. (2011). The business model: recent developments and future research. *Journal of Management*, 37(4), 1019–1042. doi:10.1177/0149206311406265

APPENDIX

Appendix A: First Prototype of the International Integrated Reporting Framework

FOREWARD

PART ONE – INTEGRATED REPORTING

- 1 INTRODUCTION
 - 2 PURPOSE AND USE OF THE FRAMEWORK
 - 3 KEY DEFINITIONS
 - 4 CONCEPTUAL FOUNDATIONS
 - The objectives of Integrated Reporting
 - Creating and preserving value
 - Business model
 - Capitals (resources and relationships)
 - External factors
 - Reporting boundaries
-

PART TWO –PREPARING AN INTEGRATED REPORT

- 5 INTRODUCTION
 - 6 GUIDING PRINCIPLES
 - Strategic focus
 - Connectivity of information
 - Future orientation
 - Responsiveness and stakeholder inclusiveness
 - Conciseness, reliability and materiality
 - 7 CONTENT ELEMENTS
 - Organizational overview and business model
 - Operating context, including risks and opportunities
 - Strategic objectives and strategies to achieve those objectives
 - Governance and remuneration
 - Performance
 - Future outlook
-

GLOSSARY

APPENDICES

A. SUPPLEMENTARY PAPERS AND OTHER REFERENCES

B. BASIS FOR CONCLUSIONS

Appendix B: Second Prototype of the International Integrated Reporting Framework

FOREWARD

PART ONE – INTEGRATED REPORTING

- 1 INTRODUCTION
 - 2 PURPOSE AND USE OF THE FRAMEWORK
 - 3 KEY DEFINITIONS
 - 4 CONCEPTUAL FOUNDATIONS
 - The objectives of Integrated Reporting
 - Creating and preserving value
 - Business model
 - Capitals (resources and relationships)
 - External factors
 - Reporting boundaries
-

PART TWO –PREPARING AN INTEGRATED REPORT

- 5 INTRODUCTION
 - 6 GUIDING PRINCIPLES
 - Strategic focus
 - Connectivity of information
 - Future orientation
 - Responsiveness and stakeholder inclusiveness
 - Conciseness, reliability and materiality
 - 7 CONTENT ELEMENTS
 - Organizational overview and business model
 - Operating context, including risks and opportunities
 - Strategic objectives and strategies to achieve those objectives
 - Governance
 - Performance
 - Future outlook
-

GLOSSARY

APPENDICES

A. SUPPLEMENTARY PAPERS AND OTHER REFERENCES

B. BASIS FOR CONCLUSIONS

Appendix C: Consultation Draft of the International Integrated Reporting Framework

SUMMARY OF PRINCIPLES-BASED REQUIREMENTS	
1	OVERVIEW
2	FUNDAMENTAL CONCEPTS <ul style="list-style-type: none">A. IntroductionB. The CapitalsC. The business ModelD. Value Creation
3	GUIDING PRINCIPLES <ul style="list-style-type: none">A. Strategic Focus and Future OrientationB. Connectivity of InformationC. Stakeholder responsivenessD. Materiality and concisenessE. Reliability and completenessF. Consistency and comparability
4	CONTENT ELEMENTS <ul style="list-style-type: none">A. Organizational overview and external environmentB. GovernanceC. Opportunities and risksD. Strategy and resource allocationE. Business modelF. PerformanceG. Future outlook
5	PREPARATION AND PRESENTATION <ul style="list-style-type: none">A. Frequency of reportingB. The materiality determination processC. Disclosure of material mattersD. Involvement of those charged with governanceE. CredibilityF. Time frames for short, medium and long termG. Reporting boundaryH. Aggregation and disaggregationI. Use of technology
	GLOSSARY
	APPENDICES <ul style="list-style-type: none">A. Other IIRC publications and resourcesB. Basis for conclusions

Appendix D: The International Integrated Reporting Framework

PART I – INTRODUCTION	
1 USING THE FRAMEWORK	
A. Integrated Report Defined	An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.
B. Objective of the Framework	To establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.
C. Purpose and Users of an Integrated Report	The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other. An integrated report benefits all stakeholders interested in an organization’s ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers
D. A principle-based approach	The intent of the principles-based approach is to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organizations to meet relevant information needs.
E. Form of report and relationship with other information	An integrated report should be a designated, identifiable communication. An integrated report is intended to be more than a summary of information in other communications (e.g., financial statements, a sustainability report, analyst calls, or on a website); rather, it makes explicit the connectivity of information to communicate how value is created over time.
F. Application of the Framework	Any communication claiming to be an integrated report and referencing the Framework should apply all the requirements of the framework unless in the case of missing information. If information is missing, its nature should be provided, why it is missing and steps being taken to obtain the information.
G. Responsibility for an Integrated Report	Should have a statement from those charged with the responsibility of preparing an Integrated Report, acknowledging their responsibility, assuring of the value and explaining that they have combined their collective mind to prepare the Integrated Report.

2 FUNDAMENTAL CONCEPTS

A. Introduction	An integrated report explains how an organization creates value over time. Value is not created by or within an organization alone. It is: <ul style="list-style-type: none">• Influenced by the external environment• Created through relationships with stakeholders• Dependent on various resources.
B. Value creation for the organization and for others	Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. That value has two interrelated aspects – value created for: <ul style="list-style-type: none">• The organization itself, which enables financial returns to the providers of financial capital• Others (i.e., stakeholders and society at large).
C. The Capitals	The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. They are categorized in the Framework as financial, manufactured, intellectual, human, social and relationship, and natural capital.
D. The value creation process	The value creation process is summarized as follows: <ol style="list-style-type: none">1. The external environment, including economic conditions, technological change, societal issues and environmental challenges, sets the context within which the organization operates.2. The mission and vision encompass the whole organization, identifying its purpose and intention in clear, concise terms.3. Those charged with governance are responsible for creating an appropriate oversight structure to support the ability of the organization to create value.4. At the core of the organization is its business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs (products, services, by-products and waste).5. The organization's activities and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes (e.g., in the availability, quality and affordability of inputs) can affect the organization's longer term viability.

PART II THE INTEGRATED REPORT

3 GUIDING PRINCIPLES

A. Strategic focus and future Orientation	Provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals
B. Connectivity of Information	show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time
C. Stakeholder relationships	Provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests
D. Materiality	Disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term
E. Conciseness	Brief in form but comprehensive in scope
F. Reliability and completeness	Include all material matters, both positive and negative, in a balanced way and without material error
G. Consistency and comparability	The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

4 CONTENT ELEMENTS

A. Organizational Overview and external environment	<p><i>Organizational Overview:</i> Mission, vision, culture, ethics, values, ownership and operating structure, principal activities and markets, competitive landscape and market positioning and position within the value chain, number of employees, revenues and number of countries and important changes in quantitative information.</p> <p><i>External environment:</i> Legitimate needs and interest of key stakeholders, Macro and micro economic conditions, market forces and the relative strength and weaknesses of competitors, suppliers and customers, speed of technological change, societal issues including population and human rights, environmental challenges such as climate changes and ecosystems, legislative and regulatory environment and the political environment in countries where the organization operates.</p> <p>Relevant Question: What does the organization do and what are the circumstances under which it Operates?</p>
B. Governance	<p>Organization's leadership structure and skills and diversity of those charged with governance, specific processes used to make strategic decisions, actions taken by those charged with governance to influence and monitor the strategic direction of the organization, organizations governance practices for purpose of meeting legal requirements, governance action to promote and enable innovation and if remuneration is linked to value creation and the use of and effects on the capitals.</p> <p>Relevant Question: How does the organization's governance structure support its ability to create value in the short, medium and long term?</p>
C. Business Model	<p>A business model is systems that transforms inputs, through its business activities, into outputs and outcomes that aims to fulfill organization's strategic purposes and create value over the short, medium and long term.</p> <p>Business model includes:</p> <p>Inputs – this will be the capitals mainly but list is not provided here</p> <p>Business activities – manufacturing/purchases, marketing, distribution channels, other processes and if there have been changes that result in process improvement and innovation.</p> <p>Outputs – Key products and services.</p> <p>Outcomes – Both internal and external outcomes e.g. employee morale, organizational reputation, revenues and cash flows, customer satisfaction, tax payments brand loyalty and social and environmental effects. Increases or decreases in values of capitals</p> <p>For those that have multiple business models e.g. segments, then each should be disclosed separately but only material information.</p> <p>Relevant Question: What is the organization's business model?</p>
D. Risks and Opportunities	<p>Identify Key risks and opportunities from internal and external sources, an assessment of how likely that the risk will crystalize and the specific steps being taken to mitigate or manage key risks and to create value from key opportunities.</p> <p>Relevant Questions: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?</p>

E. Strategy and resource allocation	<p>The organization's short, medium and long term strategic objectives, resources to implement the strategy and how achievement targets in short, medium term and long term are measured. Describe linkage between strategy and resource allocation and how this relates to the business model, the competitive advantage the organization has and how it enables it to create value and the role of key stakeholders in strategy formulation and resource allocation.</p> <p>Relevant Question: Where does the organization want to go and how does it intend to get there?</p>
F. Performance	<p>Quantitative indicators with respect to targets and risks and opportunities, both positive and negative effects on capitals, how the organization has responded to each of the key stakeholders' needs, linkage between past and current performance and the future outlook. Important Key Performance Indicators that combine financial measures with other components and narratives that explain the financial implications if significant of significant effects on other capitals. This may require monetizing certain effects on the capitals e.g. carbon emissions.</p> <p>Relevant Questions: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?</p>
G. Outlook	<p>The organization's expectations about the external environment the organization is likely to face in the short, medium and long term, how it will affect the organization, and if the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.</p> <p>The outlook should cover external environment, risks and opportunities, availability, quality and affordability of various capitals, how key relationships are managed. Provide Lead indicators, Key Performance Indicators, objectives, relevant information and sensitivity analysis, and in case of budgets and forecasts then a summary of key assumptions.</p> <p>Relevant Question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?</p>
H. Basis of preparation and presentation	<p>An integrated Report describes its basis of preparation and presentation of an integrated report including a summary of the organizations materiality determination process, a description of the reporting boundary and how it has been determined and a summary of the significant frameworks and methods used to quantify or evaluate material matters.</p> <p>Relevant Question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?</p>
I. General Reporting guidance	<p>The organization should disclose material matters, characteristics of quantitative disclosures (complexities, interdependencies and trade-offs, disclose the time frames for short, medium and long-term, and aggregation and disaggregation of information in the integrated report.</p>

Appendix E: Questionnaire to Listed Companies

Current Reporting and Integrated Reporting

Dear Participant,

The purpose of this survey is to first obtain your views on the current corporate reporting framework for listed companies in Kenya. The second objective is to obtain your views on the proposed integrated reporting. You have been selected as a participant in this survey because your company is listed and your views are valuable as they will inform regulators and others about current and integrated reporting in Kenya.

The survey should take you between 20 to 30 minutes and all information provided will be held in strict confidence. Your participation is also voluntary.

Your participation in this survey is highly appreciated and valued. Thank you in advance.

* Required

1. Your current position in the company

2. The sector of the company *

Mark only one oval.

- Agriculture
- Automobile and Accessories
- Banking
- Commercial and Services
- Construction and Allied
- Energy and Petroleum
- Insurance
- Investment
- Manufacturing and Allied
- Telecommunication and Technology
- Other: _____

3. The Company is

Mark only one oval.

- Locally Owned (Majority Shareholding is by Local Persons)
- Foreign owned (Majority Shareholding is by Foreign Persons)

Part II: Current Reporting

4. In addition to financial statements, chairman's /CEO reports and Corporate governance report, which of the following reports are prepared by the company?

Check all that apply.

- Social Responsibility Report (Part of Sustainability Report)
- Environmental Report (Part of Sustainability Report)
- Other: _____

5. Are you aware of the following guidelines for preparing non-financial reports? *

Mark only one oval per row.

	Aware	Not Aware
Global Reporting Initiative (GRI) Sustainability Reporting guidelines	<input type="radio"/>	<input type="radio"/>
CMA Corporate Governance Reporting guidelines	<input type="radio"/>	<input type="radio"/>

6. Currently, financial statements, corporate governance, chairman's/CEO reports are mandatory by law and professional requirements. Should the following reports be voluntary or mandatory? *

Mark only one oval per row.

	Mandatory	Voluntary
Social Responsibility Report	<input type="radio"/>	<input type="radio"/>
Environmental Report	<input type="radio"/>	<input type="radio"/>

7. Which of the following sources of regulation and activities play an important role in the provision of more reports and disclosures? *

Mark only one oval per row.

	Very Important	Moderately Important	Important	Least Important	Not Important
Professional Bodies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal (e.g. Companies Act)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regulators (E.g. CMA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promotions (E.g. FiRe Awards)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Voluntary Bodies (Such as GRI)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. There are gaps in current reporting for NSE listed Companies *

Mark only one oval.

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

9. If the answer to Question 8 is Strongly Agree or Agree, kindly describe the gap or gaps

10. There are challenges with current reporting for NSE listed companies *

Mark only one oval.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

11. If the choice in Question 10 is Strongly Agree or Agree, kindly describe the challenge

Part III: Integrated Reporting

One of the suggestions towards improving the quality of reporting is by integrated reporting. The International Integrated Reporting Council developed and launched the Integrated Reporting Framework in December 2013 to guide companies on how to prepare an integrated report (Called the IR Framework).

The main aim of an integrated report is to improve the quality of annual reports prepared by companies, promote a more cohesive efficient approach to corporate reporting, enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and support integrated thinking, decision-making and actions that focus on the creation of value over time.

12. Which of the following applies to the company? *

Mark only one oval.

- The company is aware about integrated reporting and has adopted integrated reporting
- The company is aware about integrated reporting and is planning to adopt integrated reporting
- The company is aware about integrated reporting and is not planning to adopt integrated reporting yet
- The company is not aware about integrated reporting and therefore has not adopted integrated reporting

13. If the Company has adopted Integrated Reporting, kindly provide the reason for the adoption

14. If the Company has adopted Integrated Reporting, briefly comment on the experience with regards to process, benefits achieved and challenges encountered

15. If the Company is aware of integrated reporting, but is not planning to adopt integrated reporting, kindly provide the reason

16. If the Company is aware of integrated reporting and is planning to adopt integrated reporting, kindly explain the reason and potential timelines

17. The framework defines an integrated report as: “a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value over the short, medium and long-term. It therefore contains both financial and non-financial information.” Comment on whether this definition is adequate and if it properly explains your understanding of integrated reporting: *

18. The Framework requires an integrated report to be a stand alone report or together with other reports. Which of the following applies to your company: *

Mark only one oval.

- The company prepares an integrated report as one report
- The company prepares an integrated report as a separate report in addition to others
- The company does not prepare an integrated report

19. The table below shows the capitals that a company should disclose in the integrated report. There is clarity in classification of these capitals: *

Capital	Examples
Financial	Financial (Shares and debt and other grants to finance the organization)
Manufactured	Manufactured (Buildings, Property equipment and Infrastructure)
Intellectual	Intellectual (Intellectual property, such as patents, copyrights, software, rights and licences, tacit knowledge, systems, procedures and protocols)
Human	Human (People's competencies, capabilities and experience, and their motivations to innovate)
Social and Relationship	Social and Relationship (Shared norms, and common values and behaviours, key stakeholder relationships intangibles associated with the brand and reputation that an organization has developed an organization's social licence to operate)
Natural	Natural (All renewable and nonrenewable environmental resources including air, water, land, minerals and forests and biodiversity and ecosystem health)

Mark only one oval.

- Agree
 Not Sure
 Disagree

20. If the answer to Question 19 is Disagree, kindly explain where the lack of clarity arises

21. To what extent are the capitals in Question 19 relevant to your organization

Mark only one oval per row.

	Highly Relevant	Somehow Relevant	Not Sure	Somehow Irrelevant	Highly Irrelevant
Financial	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Manufactured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Intellectual	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Human	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social and Relationship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Natural	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

22. Kindly explain if at all the company will face any challenge by providing information about any of the capital(s) given in Question 19.

23. According to the Integrated Reporting Framework, the integrated report should be based on the following principles: These principles are achievable by the organization: *

Principle	Description
Strategic focus and future orientation	An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals
Connectivity of information	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. The key forms of connectivity of information includes the connectivity between the content elements, the past, present and future, the capitals, financial information, quantitative and qualitative information and information presented by management.
Stakeholder relationships	An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, considers and responds to their legitimate needs and interests.
Materiality	An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.
Conciseness Reliability and completeness	An integrated report should be concise An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
Consistency and comparability	The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

Mark only one oval per row.

	Agree	Neither Agree nor Disagree	Disagree
Strategic Focus and Future Orientation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Connectivity of Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stakeholder Relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Materiality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conciseness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reliability and Completeness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consistency and Comparability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

24. If the response to Question 23 is disagree, meaning that a principle or principles is/are not achievable, kindly provide the reason.

25. The table below shows the content elements of an integrated report. Kindly indicate the extent to which these content elements are acceptable. *

Content	Description
Organizational Overview and External Environment	Mission, vision, culture, ethics and values, ownership and operating structure, principal activities, quantitative information (e.g., the number of employees) and significant factors affecting the external environment.
Governance	Leadership structure, including the skills and diversity of those charged with governance, How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, and how remuneration and incentives are linked to value creation in the short, medium and long term.
Business Model	An organization's business model is its system of transforming inputs (raw materials, through its business activities (operations), into outputs (products) and outcomes (Profits and cash flows).
Risk and opportunities	Specific sources of risks (assessment and likelihood and risk mitigation strategies) and opportunities from both internal and external sources.
Strategy and Resource allocation	Short, medium and long term strategic objectives, the resource allocation plans it to implement strategy and measuring achievements.
Performance	Quantitative indicators with respect to targets and risks and opportunities, the organization's effects (both positive and negative) on the capitals e.g. profits, the state of key stakeholder relationships and the linkages between past and current performance, and between current performance and the organization's outlook.
Outlook	Expectations about the external environment the organization is likely to face in the short, medium and long term (including forecasts) and how the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.

Mark only one oval per row.

	Acceptable	Slightly Acceptable	Neutral	Slightly Unacceptable	Unacceptable
Organizational overview & External Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Model	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk and Opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategy and Resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outlook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. If the choice to any content element in question 25 is unacceptable, kindly explain.

27. Comment on the Sufficiency of the content elements of the integrated report. If not sufficient, recommend additional items that should be included in an integrated report.

28. Comment on the extent to which the content elements of an integrated report may provide information that is competitively harmful *

Mark only one oval per row.

	Extremely Likely	Likely	Neutral	Unlikely	Extremely Unlikely
Organizational overview & External Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Model	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk and Opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategy and Resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outlook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

29. To what extent do you think the following factors influence the preparation of an integrated report? *

Mark only one oval per row.

	Very Influential	Somehow influential	Slightly Influential	Not at all influential
Meets investor needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More non-financial information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improve trust with stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better resource allocation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost reduction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhanced risk management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity identification	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduced reputational risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lower cost of capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Easier access to capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collaboration across different functions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

30. Highlight other factors that may influence the adoption of integrated reporting not provided in question 29.

31. To what extent do you think the following challenges are barriers to the preparation of an integrated report? *

Mark only one oval per row.

	Extreme Barrier	Moderate Barrier	Somewhat a Barrier	Not a Barrier
Different regulations (legal & professional)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provision of information to competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of adequate information systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clarity of the person to prepare the IR	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of audit and assurance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Time required	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overlaps with other reports	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The Cost of preparation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

32. Highlight other challenges that maybe a barrier to the adoption and preparation of an integrated report not provided in Question 31.

33. The adoption of integrated reporting will improve the quality of disclosures and reporting for listed companies in Kenya *

Mark only one oval.

- Strongly Agree
- Agree
- Neither Agree nor Disagree
- Disagree
- Strongly Disagree

34. Comment briefly on the choice made in Question 33.

35. Integrated Reporting should: *

Mark only one oval.

- Not be adopted by Kenya's listed companies
- Be adopted but on a voluntary basis by Kenya's listed companies
- Be adopted and made mandatory for Kenya's listed companies

36. Any other comments regarding current reporting, integrated reporting and way forward for corporate reporting for listed companies in Kenya

Appendix F: Questionnaire to Listed Companies Piloted

Part I: Company Characteristics

Dear Participant,

The purpose of this survey is to first establish your views on the current annual reporting framework for listed companies in Kenya. The second objective is to establish your views on the proposed Integrated Reporting. You have been selected as part of the survey because your company is listed and your views are valuable. The survey should take you between 20 to 30 minutes and all information provided will be held in strict confidence.

Your participation in this survey is highly appreciated and valued. Thank you in advance.

1. Your Current Position in the Company

2. Company Sector (Select One)

- Agriculture
- Automobile and Accessories
- Banking
- Commercial and Services
- Construction and Allied
- Energy and Petroleum
- Insurance
- Investments Services
- Manufacturing and Allied
- Telecommunication and Technology
- Other Sector

Other (please specify)

3. Your Company is

- Locally Owned (Majority Shareholding is by local persons)
- Foreign Owned (Majority Shareholding is by foreign persons)

4. In addition to financial statements, which of the following is one of the additional non-financial reports that your organization prepares?

- Social Responsibility Report (Part of Sustainability Report)
- Environmental Report (Part of Sustainability Report)
- Corporate Governance Report
- Chairman's & CEO/MD's Report (Also called Management Discussion and Analysis)
- Other reports not included here

Other (please specify)

5. Are you aware of the following guidelines for preparing corporate reports?

	Aware	Not Aware
International Financial Reporting Standards (IFRS)	<input type="radio"/>	<input type="radio"/>
Global Reporting Initiative guidelines (Sustainability - GRI)	<input type="radio"/>	<input type="radio"/>
OECD and CMA Code of corporate governance	<input type="radio"/>	<input type="radio"/>
Management Discussion and Analysis	<input type="radio"/>	<input type="radio"/>

6. Currently, only financial statements are mandatory as per the requirements of the companies Act and Professional rules. Should these additional reports be made mandatory or voluntary?

	Voluntary	Mandatory
Social Responsibility Report	<input type="radio"/>	<input type="radio"/>
Environmental Report	<input type="radio"/>	<input type="radio"/>
Corporate Governance Report	<input type="radio"/>	<input type="radio"/>
Management Discussion and Analysis	<input type="radio"/>	<input type="radio"/>

Comment on the choice of your answer

7. Which of the following sources of regulation and activities play an important role in the provision of more reports and on their quality?

	Very Important	Moderately Important	Important	Least Important	Not Important
Professional Bodies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment on the choice made	<input type="text"/>				
Legal (Law)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment on the choice made	<input type="text"/>				
Regulatory (CMA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment on the choice made	<input type="text"/>				
Promotions/Awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment on the choice made	<input type="text"/>				
Voluntary Bodies (GRI)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comment on the choice made	<input type="text"/>				

8. There are gaps and challenges in the current reporting framework for Kenya's listed companies.

- Strongly Agree
- Agree
- Not Sure
- Disagree
- Strongly Disagree

If answer is Strongly agree or disagree describe briefly the gaps and challenges

Part III: Integrated Reporting

One of the suggestions towards improving the quality of reporting is by integrated reporting.

The International Integrated Reporting Council developed and launched the integrated reporting framework in December 2013 to guide companies on how to prepare an integrated report (We shall call it the Framework).

The main aim of an integrated report is to improve the quality of annual reports prepared by companies, promote a more cohesive efficient approach to corporate reporting, enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and Support integrated thinking, decision-making and actions that focus on the creation of value over time.

The framework requires the following content for an integrated report:

Content	Description
Organizational Overview and External Environment	<ol style="list-style-type: none"> 1. Organization's mission and vision 2. The organization's culture, ethics and values, ownership and operating structure, principal activities and markets and competitive landscape and market positioning and position within the value chain. 3. Key quantitative information (e.g., the number of employees, revenue and number of countries in which the organization operates), highlighting significant changes from prior periods. 4. Significant factors affecting the external environment and the organization's response (Include the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term.)
Governance	<ol style="list-style-type: none"> 1. The organization's leadership structure, including the skills and diversity of those charged with governance, specific processes used to make strategic decisions and actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management, 2. How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, Whether the organization is implementing governance practices that exceed legal requirements 3. The responsibility those charged with governance take for promoting and enabling innovation 4. How remuneration and incentives are linked to value creation in the short, medium and long term.

Business Model	<p>An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes.</p> <p>An organization should describe in a diagram, key inputs, business activities, Outputs and Outcomes.</p> <ol style="list-style-type: none"> 1. Inputs are the material capitals 2. Business activities (Product and market differentiation, Key revenue generating activities, innovations and changes to the business model) 3. Outputs are the key products and services 4. Outcomes i.e. effect on the major capitals like financial (profits and cash flows) <p>Those with several business models should either highlight the different business models separately or only focus on the core business model.</p>
----------------	--

9. Is the company aware about Integrated Reporting?

- Not aware
 Aware

If the answer is aware, how did the company become aware about integrated reporting?

10. If the answer is aware, has the company adopted Integrated Reporting?

- Yes
 No

Briefly explain your answer

11. If the answer to question Q9 is the company is aware of Integrated Reporting, but the company has not adopted integrated reporting, is the company planning to adopt Integrated Reporting?

- Yes
 No

Briefly explain your answer

12. Comment on whether this definition is adequate and if it explains your understanding of integrated reporting
The framework defines an integrated report as:

"a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. It therefore contains both financial and non-financial information."

Comment on whether this definition is adequate and if it explains your understanding of integrated reporting

13. The Framework requires an Integrated Report to be a standalone report or together with other reports. Which of the following applies to your company:

- The company prepares an integrated report as one report
 The company prepares an integrated report as a separate report in addition to others
 The company does not prepare an integrated report

14. According to the Framework, an integrated report should provide information on the following types of capitals:

1. Financial (Shares and debt and other grants to finance the organization)
2. Manufactured (Buildings, Property equipment and Infrastructure)
3. Intellectual (Intellectual property, such as patents, copyrights, software, rights and licences, tacit knowledge, systems, procedures and protocols)
4. Human (People's competencies, capabilities and experience, and their motivations to innovate)
5. Social and Relationship (Shared norms, and common values and behaviours, key stakeholder relationships intangibles associated with the brand and reputation that an organization has developed an organization's social licence to operate)
6. Natural (All renewable and non-renewable environmental resources including air, water, land, minerals and forests and biodiversity and eco-system health)

Is there clarity in the classification of the capitals?

- Yes
 No

If the answer is no kindly explain where the lack of clarity is.

15. To what extent are these capitals relevant to your organization?

	Highly Relevant	Somehow Relevant	Not Sure	Somehow Irrelevant	Highly Irrelevant
Financial	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Manufactured	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Intellectual	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Human	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social and Relationship Capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Natural	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

16. Will the organization face any challenges in providing information about any of these capitals as given in Q14?

- Yes
 No

Kindly explain your answer

17. According to the Framework, the Integrated Report should be based on the following principles:

Principle	Description
Strategic focus and orientation	An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals
Connectivity of information	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. The key forms of connectivity of information includes the connectivity between the content elements, the past, present and future, the capitals, financial information, quantitative and qualitative information and information presented by management.
Stakeholder relationships	An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, considers and responds to their legitimate needs and interests.

Materiality	An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.
Conciseness	An integrated report should be concise
Reliability and completeness	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
Consistency and comparability	The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

These principles are achievable by the organization when preparing an integrated report:

	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
Strategic Focus and Future Orientation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Connectivity of Information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stakeholder Relationships	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Materiality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Conciseness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reliability and Completeness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consistency and Comparability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comment on your response if it is disagree or strongly disagree

18. In terms of Content elements of the Framework are they Acceptable?

	Totally Unacceptable	Unacceptable	Slightly unacceptable	Neutral	Slightly Acceptable	Acceptable	Perfectly Acceptable
Organizational overview &	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
External Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Model	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk and Opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategy and Resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outlook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. In terms of Content elements are they sufficient?

Yes

No

If not sufficient, comment on what additional items need to be incorporated

20. To what extent will the content elements provide information that is competitively harmful?

	Extremely Unlikely	Unlikely	Neutral	Likely	Extremely likely
Organizational overview & External Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business Model	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk and Opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategy and Resources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outlook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

21. To what extent do you think the following factors influence the preparation of an integrated report?

	Not at all influential	Slightly Influential	Somewhat Influential	Very Influential	Extremely Influential
Meets Investor Needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More Non-Financial information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improve trust with stakeholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better resource allocation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost reduction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Enhanced Risk Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Opportunity Identification	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduced reputational risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lower cost of capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Easier access to capital	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Collaboration across different functions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other factors not included above

22. To what extent do you think the following challenges are barriers to the preparation of an integrated report?

	Not a Barrier	Somewhat of a Barrier	Moderate Barrier	Extreme Barrier
Different regulations (Legal and Professional)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Provision of information to competitors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of adequate information systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Clarity on the person responsible for preparing an integrated report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of audit and assurance on information provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Time required	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Overlaps with other reports	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Highlight other Barriers not included here

* 23. The adoption of Integrated Reporting will improve the quality of reporting by listed companies in Kenya.

- Strongly Disagree
- Disagree
- Somewhat Disagree
- Neither Agree nor Disagree
- Somewhat agree
- Agree
- Strongly Agree

Comment Briefly on the Choice of your answer

24. Integrated Reporting should:

- Not be adopted by Kenya's listed companies
- Adopted but on a voluntary Basis by Listed Companies
- Adopted and made Mandatory for Listed Companies

25. Any other comments from a preparer's perspective regarding the current reporting framework in Kenya and Integrated reporting and way forward for listed companies in terms of corporate reporting in Kenya.

Current reporting framework

Integrated Reporting

Way forward for Corporate Reporting in Kenya

Appendix G: Email to Participants for Online Questionnaire

Dear ...(Name of participant),

My name is Geoffrey Injeni currently finalizing my PhD studies at Strathmore University. My research is on current reporting practices and the feasibility of adopting integrated reporting for listed companies in Kenya to inform my colleagues in academia and also policy by CMA. I am in the process of obtaining feedback from preparers of annual reports by use of an online questionnaire.(Name of Company) ...is one of the companies selected for this research.

Kindly fill in the attached form and in case of any queries, feel free to contact me on the current email or by phone on 0722

Thank you in advance.

Appendix H: Interview Guide for Regulators

Dear Participant,

The purpose of this interview is to first establish your views on the current reporting framework for listed companies in Kenya. The second objective is to establish your views on the proposed integrated reporting. You have been selected as part of the survey because of your important contribution to the regulation of listed companies. The interview should take you between 20 to 30 minutes and all information provided will be held in strict confidence. Your participation in this interview is highly appreciated and valued. Thank you in advance.

Part I: Perspective of current reporting practices in Kenya

QUESTION ONE

What is your role in enhancing the quality of financial reports by listed companies in Kenya?

QUESTION TWO

Comment on the standards of financial and non -financial reports for Kenya's listed companies.

QUESTION THREE

What challenges do you as a regulator face in trying to improve the quality of reports prepared in Kenya and how do you deal with the challenges? Are there gaps that exist currently that need to be addressed in terms of reporting for non-financial information in your specific sectors?

Part II: Perspectives on Integrated Reporting

Integrated Reporting is one of the ways recommended to improve the quality of non-financial reporting.

QUESTION ONE

As a regulator are you aware of Integrated Reporting? If yes, what is your understanding of integrated reporting?

QUESTION TWO

One of the benefits of Integrated Reporting from the perspective of a regulator is that it will provide for a platform to harmonize reporting in different regulatory environments (Compliance with various reporting frameworks and comparison of different sectors in terms of performance). Do you agree with this benefit?

QUESTION THREE

As a regulator, do you think Integrated Reporting will improve the quality of reporting in Kenya's listed companies? Why?

What specific issues in the current industry need to be addressed by an Integrated Report? Are there any anticipated or unintended consequences of adopting IR? Should companies adopt the guidelines as provided by the framework or should the companies try to customize?

Are there any challenges that may arise in adopting integrated Reporting in Kenya?

QUESTION FOUR

Is there any other issue or issues that you may have as a regulator regarding

1. The current reporting practices for listed companies in Kenya?
2. Integrated reporting?
3. The way forward for corporate reporting for Kenya's listed companies?

Appendix I: Interview Guide for Analysts

Dear Participant,

The purpose of this interview is to first establish your views on the current annual reporting framework for listed companies in Kenya from the perspective of an equity analyst. The second objective is to establish your views on the proposed Integrated Reporting. You have been selected as part of the survey because of your expertise on analysing equity investments. The interview should take you between 20 to 30 minutes and all information provided will be held in strict confidence.

Your participation in this interview is highly appreciated and valued. Thank you in advance.

Part I: Firm Characteristics

Question One: How many years have you been conducting equity analysis?

Question Two: Is there a research department in your organization and what kind of information is required to conduct equity analysis?

Part II: Current Reporting framework for listed companies in Kenya

Listed companies in Kenya prepare in addition to the financial statements, other reports like Social and Environmental, Management Discussions and Analysis (Commentary) and corporate governance.

Question One: Which of these non-financial reports are useful in conducting equity analysis?

Question two: Comment on the quality of information provided in these reports i.e. both financial and non-financial?

Question Three: Should these reports be made mandatory by regulators?

Question Four: Has your organization settled on an equity screening model? Does it factor information in these non-financial reports? How is the weighting on financial and non-financial information reports?

Part III: Integrated reporting

One of the suggestions towards improving the quality of reporting is by use of integrated reporting.

The International Integrated Reporting Framework defines an Integrated Report as a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

The main aim of an integrated report is to improve the quality of annual reports prepared by companies, promote a more cohesive efficient approach to corporate reporting, enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and Support integrated thinking, decision-making and actions that focus on the creation of value over time.

The International Integrated Reporting Council developed and launched the integrated reporting framework in December 2013 to guide companies on how to prepare an integrated report (We shall call it the Framework).

The framework requires the following content for an integrated report:

Content	Description
Organizational Overview and External Environment	<ol style="list-style-type: none">1. Organization's mission and vision2. The organization's culture, ethics and values, ownership and operating structure, principal activities and markets and competitive landscape and market positioning and position within the value chain.3. Key quantitative information (e.g., the number of employees, revenue and number of countries in which the organization operates), highlighting significant changes from prior periods.

	<p>4. Significant factors affecting the external environment and the organization's response (Include the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term.)</p>
Governance	<p>1.The organization's leadership structure, including the skills and diversity of those charged with governance, specific processes used to make strategic decisions and actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management, 2. How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, Whether the organization is implementing governance practices that exceed legal requirements 3.The responsibility those charged with governance take for promoting and enabling innovation 4. How remuneration and incentives are linked to value creation in the short, medium and long term.</p>
Business Model	<p>An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes. An organization should describe in a Figure, key inputs, business activities, Outputs and Outcomes. 1.Inputs are the material capitals 2.Business activities (Product and market differentiation, Key revenue generating activities, innovations and changes to the business model) 3.Outputs are the key products and services 5.Outcomes i.e. effect on the major capitals like financial (profits and cash flows) Those with several business models should either highlight the different business models separately or only focus on the core business model.</p>
Risk and opportunities	<p>1.Specific Sources of risks and opportunities from both internal and external sources 2. The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. 3. The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs</p>
Strategy and Resource allocation	<p>1. The organization's short, medium- and long-term strategic objectives 2. The strategies it has in place, or intends to implement, to achieve those strategic objectives 3. The resource allocation plans it has to implement its strategy 4. How it will measure achievements and target outcomes for the short, medium and long term.</p>
Performance	<p>1. Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them</p>

	<p>2. The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain</p> <p>3. The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests</p> <p>4. The linkages between past and current performance, and between current performance and the organization's outlook.</p>
Outlook	<p>An integrated report ordinarily highlights anticipated changes over time and provides information, built on sound and transparent analysis, about:</p> <ol style="list-style-type: none"> 1. The organization's expectations about the external environment the organization is likely to face in the short, medium and long term 2. How that will affect the organization 3. How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise. <p>An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.</p>

Question One: Are you aware about Integrated Reporting? What is your understanding of integrated reporting?

Question Two: In comparison to current reporting practices, is there additional information that will be relevant to equity analysis?

Question Three: The IIRC explains that IR will improve how an equity analyst assesses various issues in an organization and show how an organization adds value hence leading to better investment decisions and effective capital allocation. Do you agree with this benefit?

Question Four: According to IIRC the challenge for an equity analyst will be the changes to analytical tools and at the moment investment decision making and performance rewards focus more on the short term rather than long term. Comment on these challenges.

Question Five: How will the adoption of integrated reporting affect your screening models?

Question Six: Based on your experience and using the current reporting framework, if companies adopt integrated reporting, will this improve equity analysis?

Question Seven: If yes, would you recommend that listed companies adopt IR? Why or why not.

Question Eight: If Integrated Reporting should be adopted, should it be made mandatory or voluntary?

Question Nine: Do you think companies will be required to reveal too much about their operations if they are to adopt Integrated Reporting?

Question Ten: Will Integrated Reporting increase the cost of reporting?

Question Eleven: Do you think the benefits that accrue to investors/companies are greater than the cost to the companies?

Question Twelve: Will there be consistency in reporting with adoption of integrated reporting?

Question Nine: Please provide any other comments you may have from the perspective of an analyst on current reporting practices by listed companies, Integrated Reporting and way forward for corporate reporting in Kenya.

Appendix J: Companies Listed on the Nairobi Securities Exchange

Nairobi Securities Exchange : Listed Companies							
Company Name	2010	2011	2012	2013	2014	2015	2016
AGRICULTURAL							
1 Eaagads							
3 Kakuzi							
4 Kapchorua Tea Co.							
5 The Limuru Tea Co.							
6 Rea Vipingo							
7 Sasini							
8 Williamson Tea Kenya							
AUTOMOBILES & ACCESSORIES							
9 Car & General (K)							
10 CMC Motors							
12 Marshalls (E.A.)							
13 Sameer Africa							
BANKING							
14 Barclays Bank of Kenya							
15 CFC Stanbic of Kenya Holdings							
16 Diamond Trust Bank Kenya							
17 Equity Group Holdings							
18 Housing Finance Group							
19 I&M Holdings							
20 KCB Group Ord							
21 National Bank of Kenya							
22 NIC Group PLC							
23 Standard Chartered Bank Kenya							
24 The Co-operative Bank of Kenya							
COMMERCIAL AND SERVICES							
25 Atlas African Industries							
26 Access							
27 Express Kenya							
28 Hutchings Biemer (suspended)							
29 Kenya Airways							
30 Longhorn Publishers							
31 Nairobi Business Ventures							
32 Nation Media Group							
33 Standard Group							
34 TPS Eastern Africa							
35 Uchumi Supermarket							
36 WPP Scangroup							
CONSTRUCTION & ALLIED							
37 ARM Cement							
38 Bamburi Cement							
39 Crown Paints Kenya							
40 E.A.Cables							
41 E.A.Portland Cement Co.							

Nairobi Securities Exchange : Listed Companies...Continued							
Company Name	2010	2011	2012	2013	2014	2015	2016
ENERGY & PETROLEUM							
42 KenGen Co.							
43 KenolKobil							
44 Kenya Power & Lighting Co							
45 Total Kenya							
46 Umeme							
INSURANCE							
47 Britam Holdings							
48 CIC Insurance Group							
49 Jubilee Holdings							
50 Kenya Re Insurance Corporation							
51 Liberty Kenya Holdings (CFC)							
52 Pan Africa Insurance Holdings / Sanlam							
INVESTMENT							
53 Centum Investment Co							
54 City Trust							
54 Home Afrika							
55 Kurwitu Ventures							
55 Olympia Capital Holdings							
56 Trans-Century							
INVESTMENT SERVICES							
57 Nairobi Securities Exchange Ord 4.00							
MANUFACTURING & ALLIED							
58 A.Baumann & Co							
59 B.O.C Kenya							
60 British American Tobacco Kenya							
61 Carbacid Investments							
62 East African Breweries							
63 Eveready East Africa							
64 Flame Tree Group Holdings							
65 Kenya Orchards							
66 Mumias Sugar Co.							
67 Unga Group							
TELECOMMUNICATION & TECHNOLOGY							
68 Safaricom Ltd							
Total Quoted	55	58	61	61	66	64	65

NB) Shaded area means the company was not listed in those years.

Appendix K: List of Equity Analysts

The analysts licensed by the Capital Markets Authority (CMA 2017) are:

Category	Name
Investment Banks (8)	African Alliance Kenya Investment Bank
	Dyer & Blair Investment Bank
	Renaissance Capital (K)
	Faida Investment Bank
	Genghis Capital
	KCB Capital
	CBA Capital
	Chase Bank
Fund Managers (23)	Sanlam Investment (EA)
	Dry Associates
	Abraaj Kenya Advisers
	Co-op Trust Investment Services
	Old Mutual Investment Group
	FCB Capital
	Sanlam Investment (EA)
	ICEA Lion Asset Management
	Amana Capital
	Genafrika Asset Managers
	Zimele Asset Management Co.
	Britam Asset Managers Kenya
	CIC Asset Management
	Standard Chartered Investment Services
	Madison Asset Management Services
	Apollo Asset Management Co. Ltd
	Nabo Capital
	Old Mutual Investment Services (K)
	Fusion Investment Manangement
	Cannon Asset Managers
	UAP Investment
	Seriani Asset Managers
	Watu Capital

As explained, after confirmation, only 14 firms had an equity analysis department.

Appendix L: IFRS Disclosure Checklist- Summary of IFRSs

This is a summarized list of standards that were relevant for the period between 2010 and 2016 with the relevant sectors together with the total list of disclosures per year, and a sample of scoring done for one listed company.

Relevant IFRS Per Sector together with the applicable Disclosures for each sector										
	Agriculture	Automobile & Accessories	Banking	Commercial And Services	Construction And Allied	Energy	Insurance	Investment	Manufacturing And Allied	Telecommunication & Technology
IFRS 2	√	√	√	√	√	√	√	√	√	√
IFRS 3	√	√	√	√	√	√	√	√	√	√
IFRS 4	N/A	N/A	N/A	N/A	N/A	N/A	√	N/A	N/A	N/A
IFRS 5	√	√	√	√	√	√	√	√	√	√
IFRS 7	√	√	√	√	√	√	√	√	√	√
IFRS 8	√	√	√	√	√	√	√	√	√	√
IFRS 9	√	√	√	√	√	√	√	√	√	√
IFRS 10	√	√	√	√	√	√	√	√	√	√
IFRS 11	√	√	√	√	√	√	√	√	√	√
IFRS 12	√	√	√	√	√	√	√	√	√	√
IFRS 13	√	√	√	√	√	√	√	√	√	√
IAS 1	√	√	√	√	√	√	√	√	√	√
IAS2	√	√	N/A	√	√	√	N/A	N/A	√	√
IAS 7	√	√	√	√	√	√	√	√	√	√
IAS 8	√	√	√	√	√	√	√	√	√	√
IAS 10	√	√	√	√	√	√	√	√	√	√
IAS 12	√	√	√	√	√	√	√	√	√	√
IAS 16	√	√	√	√	√	√	√	√	√	√
IAS 17	√	√	√	√	√	√	√	√	√	√
IAS 19	√	√	√	√	√	√	√	√	√	√
IAS 20	√	√	√	√	√	√	√	√	√	√
IAS 21	√	√	√	√	√	√	√	√	√	√
IAS 23	√	√	√	√	√	√	√	√	√	√
IAS 24	√	√	√	√	√	√	√	√	√	√
IAS 26	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
IAS 27	√	√	√	√	√	√	√	√	√	√
IAS 28	√	√	√	√	√	√	√	√	√	√
IAS 33	√	√	√	√	√	√	√	√	√	√
IAS 34	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
IAS 36	√	√	√	√	√	√	√	√	√	√
IAS 37	√	√	√	√	√	√	√	√	√	√
IAS 38	√	√	√	√	√	√	√	√	√	√
IAS 39	√	√	√	√	√	√	√	√	√	√
IAS 40	√	√	√	√	√	√	√	√	√	√
IAS 41	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2010	574	553	536	553	550	552	553	528	552	553
2011	574	553	536	553	550	552	553	527	552	553
2012	574	553	536	553	550	552	553	525	552	553
2013	574	553	536	553	550	552	553	525	552	553
2014	574	553	536	553	550	552	553	525	552	553
2015	571	553	536	553	550	552	553	525	552	553
2016	571	553	536	553	550	552	553	525	552	553
SAMPLE COMPANY SELECTED				2010	2011	2012	2013	2014	2015	2016
Total Disclosures (T)				553	553	553	553	553	553	553
Disclosures Not Applicable (NA)				295	295	295	292	295	295	299
Disclosures Applicable (T-NA)				258	258	258	261	258	258	254
Disclosures Present (P)				241	240	239	242	242	242	238
SCORE (P/A) %				93.4%	93.0%	92.6%	92.7%	93.8%	93.8%	93.7%

Appendix M: Disclosure Checklist for Sustainability Reporting

ECONOMIC PILLAR							
	2010	2011	2012	2013	2014	2015	2016
1.1 Economic Performance							
a) Direct value generated (revenue)	✓	✓	✓	✓	✓	✓	✓
b) Direct value distributed (operating costs, employee wages and benefits, payments to providers of capital, payments to government (by country), community investments)	✓	✓	✓	✓	✓	✓	✓
c) Financial implications and other risks and opportunities for the organization's activities due to climate change	x	x	x	x	x	x	x
1.2 Market presence							
Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	x	x	x	x	x	x	x
1.3 Indirect economic impacts							
a) Extent of development of significant infrastructure investments and services supported	✓	✓	✓	✓	✓	✓	✓
b) Significant direct and indirect economic impacts, including the extent of impacts e.g.changing the productivity of organizations, sectors, or the whole economy, economic development in areas of high poverty, economic impact of improving or deteriorating social or environmental conditions, etc	✓	✓	✓	✓	✓	✓	✓
1.4 Procurement practices							
Proportion of spending on local suppliers at significant locations of operation	x	x	x	x	x	x	x
1.5 Materials							
Materials used by weight or volume used to produce and package the organization's primary products and services during the reporting period	♠	♠	♠	♠	♠	♠	♠
✓	4	4	4	4	4	4	4
x	3	3	3	3	3	3	3
TOTAL NO OF DISCLOSURES REQUIRED	7	7	7	7	7	7	7
ENVIRONMENTAL PILLAR							
	2010	2011	2012	2013	2014	2015	2016
2.1 Energy							
a) Energy consumption within and outside the organization-total fuel/electricity/cooling/ heating consumption from non-renewable and renewable sources	x	x	x	x	✓	✓	✓
b) Reduction of energy consumption as a direct result of conservation and efficiency initiatives	x	x	x	x	✓	✓	✓
2.2 Water							
Total water withdrawal by source and water sources significantly affected by withdrawal of water	✓	✓	✓	✓	✓	✓	✓
2.3 Biodiversity							
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	✓	✓	✓	✓	✓	✓	✓
2.4 Emissions							
Report on direct or indirect greenhouse gas (ghg) emissions, intensity of emissions, and reductions of the emissions	x	x	x	x	x	x	x
2.5 Effluents and waste							
Total weight of hazardous and non-hazardous waste, by the following disposal methods: reuse, recycling, composting, recovery, including energy recovery, incineration (mass burn), deep well injection, landfill.	x	x	x	x	x	x	x
2.6 Products and services							
Percentage of products sold and their packaging materials that are reclaimed by category	x	x	x	x	x	x	x
2.7 Compliance							
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	x	x	x	x	x	x	x
2.8 Transport							
Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	x	x	x	x	x	x	x
2.9 Overall							
Total environmental protection expenditures by: waste disposal, emissions treatment, and remediation costs, prevention and environmental management costs	x	x	x	x	x	x	x
2.10 Supplier environmental assessment							
Percentage of new suppliers that were screened using environmental criteria	x	x	x	x	x	x	x
2.11 Environmental grievance mechanisms							
Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	x	x	x	x	x	x	x
✓	2	2	2	2	4	4	4
x	10	10	10	10	8	8	8
TOTAL NO OF DISCLOSURES REQUIRED	12	12	12	12	12	12	12

3. SOCIAL PILLAR							
	2010	2011	2012	2013	2014	2015	2016
3.1 Employment							
a) Total number and rates of new employee hires and employee turnover by age group, gender and region	✓	x	x	x	x	x	x
b) Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation	✓	✓	✓	✓	✓	✓	✓
3.2 Labor/management relations							
Minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them.	x	x	x	x	x	x	x
3.3 Occupational health and safety							
a) Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	x	x	x	x	x	x	x
3.4 Training and education							
a) Training per year per employee by gender, and by employee category	✓	✓	✓	✓	✓	✓	✓
b) Employees receiving regular performance and career development reviews, by gender and by employee category	✓	✓	✓	✓	✓	✓	✓
3.5 Diversity and equal opportunity							
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	✓	✓	✓	✓	✓	✓	✓
3.6 Equal remuneration for women and men							
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	x	x	x	x	x	x	x
3.7 Supplier assessment for labor practices							
Percentage of new suppliers that were screened using labor practices criteria	x	x	x	x	x	x	x
3.8 Labor practices grievance mechanisms							
Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	x	x	x	x	x	x	x
4.1 Investment							
Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	x	x	x	x	x	x	x
4.2 Non discrimination							
Total number of incidents of discrimination and corrective actions taken	x	x	x	x	x	x	x
4.3 Freedom of association and collective bargaining							
Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	x	x	x	x	x	x	x
4.4 Child labour							
Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	x	x	x	x	x	x	x
4.5 Forced or compulsory labour							
Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	x	x	x	x	x	x	x
4.6 Security practices							
Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	x	x	x	x	x	x	x
4.7 Indigenous rights							
Total number of incidents of violations involving rights of indigenous peoples and actions taken	x	x	x	x	x	x	x
4.8 Assessment							
Total number and percentage of operations that have been subject to human rights reviews or impact assessments	x	x	x	x	x	x	x
4.9 Supplier human rights assessment							
Percentage of new suppliers that were screened using human rights criteria	x	x	x	x	x	x	x
4.10 Human rights grievance assessment							
Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	x	x	x	x	x	x	x

3. SOCIAL PILLAR CONTINUED	2010	2011	2012	2013	2014	2015	2016
5.1 Local communities							
Operations with implemented local community engagement, impact assessments, and development programs, including the use of: social impact assessments, environmental impact assessments and ongoing monitoring, public disclosure of results of environmental and social impact assessments, etc.	✓	✓	✓	✓	✓	✓	✓
5.2 Anti corruption							
Operations assessed for risks related to corruption and the significant risks identified and confirmed incidents of corruption and actions taken	x	x	x	x	x	x	x
5.3 Public policy							
Total value of political contributions by country and recipient/beneficiary	x	x	x	x	x	x	x
5.4 Anti competitive behaviour							
Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	x	x	x	x	x	x	x
5.5 Compliance							
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	x	x	x	x	x	x	x
5.6 Supplier assessment for impacts on society							
New suppliers that were screened using criteria for impacts on society	x	x	x	x	x	x	x
5.7 Grievance mechanisms for impacts on society							
Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	x	x	x	x	x	x	x
6.1 Customer health and safety							
Significant product and service categories for which health and safety impacts are assessed for improvement and incidents of non-compliance with regulations and voluntary codes	x	x	x	x	x	x	x
6.2 Product and service labelling							
Type of product and service information required by the organization's procedures for product and service information and labeling, and the significant product and service categories subject to such information requirements	✓	✓	✓	✓	✓	✓	✓
6.3 Marketing communications							
Sale of banned or disputed products	x	x	x	x	x	x	x
6.4 Customer privacy							
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	x	x	x	x	x	x	x
6.5 Compliance							
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	x	x	x	x	x	x	x
✓	7	6	6	6	6	6	6
x	25	26	26	26	26	26	26
TOTAL NO OF DISCLOSURES REQUIRED UNDER SOCIAL ASPECT	32	32	32	32	32	32	32
✓	13	12	12	12	14	14	14
x	38	39	39	39	37	37	37
TOTAL NO OF DISCLOSURES REQUIRED	51	51	51	51	51	51	51
SCORE	25.5%	23.5%	23.5%	23.5%	27.5%	27.5%	27.5%

Appendix N: Corporate Governance Checklist

The OECD corporate governance index is provided together a demonstration on how a company was scored.

DISCLOSURE	2010	2011	2012	2013	2014	2015	2016
1) The financial and operating results of the company.	✓	✓	✓	✓	✓	✓	✓
2) Company objectives and non-financial information.	✓	✓	✓	✓	✓	✓	✓
3) Major share ownership, including beneficial owners, and voting rights.	✓	✓	✓	✓	✓	✓	✓
4) Remuneration of members of the board and key executives	✓	✓	✓	✓	✓	✓	✓
5) Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.	✓	✓	✓	✓	✓	✓	✓
6) Related party transactions.	✓	✓	✓	✓	✓	✓	✓
7) Foreseeable risk factors.	✓	✓	✓	✓	✓	✓	✓
8) Issues regarding employees and other stakeholders.	x	x	✓	✓	✓	✓	✓
9) Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.	x	x	x	x	x	✓	✓
✓	7	7	8	8	8	9	9
x	2	2	1	1	1	0	0
TOTAL NUMBER OF DISCLOSURES REQUIRED	9	9	9	9	9	9	9
SCORE	77.8%	77.8%	88.9%	88.9%	88.9%	100.0%	100.0%

Appendix 0: Integrated Reporting Checklist

The Integrated Reporting Checklist below demonstrates how one of the companies in the sample was awarded scores over the seven years.

Content	2010	2011	2012	2013	2014	2015	2016
Organizational Overview							
1. Organization's mission and vision	✓	✓	✓	✓	✓	✓	✓
2. Culture, ethics and values	✓	✓	✓	✓	✓	✓	✓
3. Ownership and operating structure	✓	✓	✓	✓	✓	✓	✓
4. Principal activities and markets	✓	✓	✓	✓	✓	✓	✓
5. Competitive landscape and market positioning (Threat of new competition, substitute products, bargaining power of customers and suppliers, and the intensity of competitive rivalry)	x	x	✓	✓	✓	✓	✓
6. Position within the value chain	✓	✓	✓	✓	✓	✓	✓
7. Key quantitative information (number of employees, revenues and number of countries in which the company operates)	✓	✓	✓	✓	✓	✓	✓
External Environment							
Significant external factors that will affect the organization's ability to create value in the short, medium or long term:							
1. Legal (The legislative and regulatory environment in which the company operates)	x	x	x	x	✓	✓	✓
2. Commercial (Macro and micro economic conditions, market forces such as weaknesses and strengths of competitors and speed of technological change)	x	x	✓	✓	✓	✓	✓
3. Social (Societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems)	✓	✓	✓	✓	✓	✓	✓
4. Environmental (Challenges such as climate change, loss of ecosystems and resource shortages)	x	x	x	x	✓	✓	✓
5. Political (in countries where the organization operates)	✓	✓	✓	✓	✓	✓	✓
Governance							
1. Organization's leadership structure including skills and diversity	✓	✓	✓	✓	✓	✓	✓
2. Specific Processes used to make strategic decisions (risk attitude and mechanisms for addressing integrity issues)	x	x	✓	✓	✓	✓	✓
3. Particular actions taken to monitor the strategic direction of the organization	✓	✓	✓	✓	✓	✓	✓
4. How the organization's culture, ethics and values are reflected in the use of capital and relationship with stakeholders	x	x	x	x	✓	✓	✓
5. Whether the organization is implementing governance practices that exceed legal requirements	x	x	✓	✓	✓	✓	✓
6. The responsibility those charged with governance take for promoting and enabling innovation	✓	✓	✓	✓	✓	✓	✓
7. How remuneration and incentives are linked to value creation in the short, medium and long term and to the organization's use of and effects on the capitals	x	x	x	x	✓	✓	✓
Business Model							
1. Key Inputs (Those that have a material bearing on the ability to create value in the short, medium and long term)	x	x	x	x	x	x	x
2. Business activities (Differentiation, approach to innovation, adaptation to change and contributions made to promote long term success e.g. trainings and relationships management)	✓	✓	✓	✓	✓	✓	✓
3. Outputs (Key products and services)	✓	✓	✓	✓	✓	✓	✓
4. Outcomes (Positive and negative)							
i) Internal (employee morale, reputation, revenues, cashflows)	✓	✓	✓	✓	✓	✓	✓
ii) External (tax payments, customer satisfaction, brand loyalty)	✓	✓	✓	✓	✓	✓	✓
5. A diagram highlighting key elements and a detailed explanation of their relevance to the organization)	x	x	x	x	✓	✓	✓
6. Logical narrative flow of the business	x	x	x	x	✓	✓	✓
7. Critical stakeholders and other dependancies	✓	✓	✓	✓	✓	✓	✓

INTEGRATED REPORTING INDEX CONTINUED							
Risk and Opportunities	2010	2011	2012	2013	2014	2015	2016
1. Specific source of risks and opportunities (internal and external)	✓	✓	✓	✓	✓	✓	✓
2. Organization's assessment of the likelihood that the risk will come to fruition and the magnitude of its effect)	✓	✓	✓	✓	✓	✓	✓
3. Specific steps being taken to mitigate or manage key risks or to create value for opportunities	✓	✓	✓	✓	✓	✓	✓
4. Materiality (real risk even if probability of occurrence may be small)	✓	✓	✓	✓	✓	✓	✓
Strategic Resource and Allocation							
1. Organization's short, medium and long term strategic objectives	✓	✓	✓	✓	✓	✓	✓
2. Strategies in place to achieve those strategic objectives	✓	✓	✓	✓	✓	✓	✓
3. Resource allocation plans to implement the strategy	x	✓	✓	✓	✓	✓	✓
4. Method of measuring achievements and target outcomes for the short, medium and long term	x	x	x	x	x	x	x
5. What differentiates the organization to give it advantage and enable it create value?(innovation, competitive intellectual capital, social and environmental considerations)	✓	✓	✓	✓	✓	✓	✓
6. Stakeholder engagements that were used in formulating its strategy and resource allocation plans	x	x	✓	✓	✓	✓	✓
Performance							
1. Quantitative indicators with respect to targets, risks opportunities and the assumptions used in compiling them	✓	✓	✓	✓	✓	✓	✓
2. Organization's effects on the capitals	✓	✓	✓	✓	✓	✓	✓
3. The state of key stakeholder relationships and responses to their needs	x	✓	✓	✓	✓	✓	✓
4. Linkages between past, current performance and future outlook	x	x	x	x	✓	✓	✓
5. Key performance indicators	✓	✓	✓	✓	✓	✓	✓
Outlook							
1. The organization's expectations about the external environment in the short, medium and long term	✓	✓	✓	✓	✓	✓	✓
2. How those expectations will affect the organization	✓	✓	✓	✓	✓	✓	✓
3. How the organization is currently equipped to respond to the critical challenges that are likely to arise	✓	✓	✓	✓	✓	✓	✓
4. Management of key relationships and their importance to the organization's ability to create value over time	x	x	x	✓	✓	✓	✓
5. Projections and a summary of related assumptions	x	x	x	x	x	x	x
✓	29	31	36	37	44	44	44
Total Items required	46	46	46	46	46	46	46
Score	63.0%	67.4%	78.3%	80.4%	95.7%	95.7%	95.7%

Appendix P: Letter of Introduction to Research Participants



16th January 2018

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

ASSISTANCE IN DATA COLLECTION FOR PHD STUDIES BY GEOFFREY INJENI IKAVULU (Student No. 008655)

This is to confirm that the above named student is undertaking his PhD Studies at Strathmore University.

His study is on *"Integrated Reporting in Kenya – An Assessment and Stakeholder Appraisal"*.

As part of his research, he needs to collect data from listed companies, Regulators (Central Bank, IRA, CMA, NSE, ICPAK, and ICPSK), and equity analysts of NSE companies. The student has received ethical clearance from the Institutional Ethics Board of AMREF and is expected to ensure that all data and information he collects is treated with utmost confidentiality and only used for academic purposes.

Any assistance accorded to him will be highly appreciated.

Sincerely,



Prof. Ruth Kiraka
Dean
School of Graduate Studies

Appendix Q: Letter of Ethical Approval to conduct research



REF: AMREF – ESRC P413/2017

Amref Health Africa in Kenya

January 11, 2018

Geoffrey Injeni
Strathmore University
P.O Box 59857-00200 Nairobi, Kenya.
Tel: +254 722 292 195
Email: ginjeni@strathmore.edu

Dear Mr. Injeni,

RESEARCH PROTOCOL: CURRENT REPORTING AND RELATIONSHIP WITH INTEGRATED REPORTING FOR LISTED COMPANIES IN KENYA: COMPLIANCE LEVELS, ASSOCIATED FACTORS AND STAKEHOLDERS' PERCEPTION


Thank you for submitting your protocol to the Amref Health Africa Ethics and Scientific Review Committee (ESRC).

This is to inform you that the ESRC has approved your protocol. The approval period is from January 11, 2018 to January 10, 2019 and is subject to compliance with the following requirements:

- a) Only approved documents (informed consents, study instruments, advertising materials etc.) will be used.
- b) All changes (amendments, deviations, violations etc.) are submitted for review and approval by Amref ESRC before implementation.
- c) Death and life threatening problems and severe adverse events (SAEs) or unexpected adverse events whether related or unrelated to the study must be reported to the ESRC immediately.
- d) Any changes, anticipated or otherwise that may increase the risks or affect safety or welfare of study participants and others or affect the integrity of the research must be reported to Amref ESRC immediately.
- e) Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period (attach a comprehensive progress report to support the renewal).
- f) Clearance for export of biological specimen or any form of data must be obtained from Amref ESRC, NACOSTI and Ministry of Health for each batch of shipment/export.
- g) Submission of an executive summary report within 90 days upon completion of the study. This information will form part of the data base that will be consulted in future when processing related research studies so as to minimize chances of study duplication and/or plagiarism.

Please do not hesitate to contact the ESRC Secretariat (esrc.kenya@amref.org) for any clarification or query.

Yours sincerely,


Prof. Mohamed Karama
Chair, Amref Health Africa ESRC

CC: Dr. George Kimathi, Director Institute of Capacity Development, Amref Health Africa and Vice Chair Amref Health Africa ESRC
Samuel Muhula, Monitoring & Evaluation and Research Manager, Amref Health Africa Kenya


Appendix R: Permission to conduct research by NACOSTI


THIS IS TO CERTIFY THAT:
MR. GEOFFREY IKAVULU INJENI
of STRATHMORE UNIVERSITY,
59857-200 NAIROBI, has been permitted
to conduct research in Nairobi County

Permit No : NACOSTI/P/18/51612/20901
Date Of Issue : 31st January, 2018
Fee Received : Ksh 2000

on the topic: **CURRENT REPORTING AND
RELATIONSHIP WITH INTEGRATED
REPORTING FOR LISTED COMPANIES IN
KENYA: COMPLIANCE LEVELS,
ASSOCIATED FACTORS AND
STAKEHOLDERS' PERCEPTION**

for the period ending:
31st January, 2019


.....
Applicant's
Signature



S.P. Kalawa
.....
Director General
National Commission for Science,
Technology & Innovation

CONDITIONS

1. The License is valid for the proposed research, research site specified period.
2. Both the Licence and any rights thereunder are non-transferable.
3. Upon request of the Commission, the Licensee shall submit a progress report.
4. The Licensee shall report to the County Director of Education and County Governor in the area of research before commencement of the research.
5. Excavation, filming and collection of specimens are subject to further permissions from relevant Government agencies.
6. This Licence does not give authority to transfer research materials.
7. The Licensee shall submit two (2) hard copies and upload a soft copy of their final report.
8. The Commission reserves the right to modify the conditions of this Licence including its cancellation without prior notice.



REPUBLIC OF KENYA



National Commission for Science,
Technology and Innovation

RESEARCH CLEARANCE
PERMIT

Serial No.A 17337

CONDITIONS: see back page

Appendix S: Informed Consent for Participants



Ethics & Scientific Review Committee

Informed Consent Form

[This ICF should only be used for those who have attained the age of majority, 18 years]

Study Title	Integrated Reporting for Listed Companies in Kenya: An Assessment and Stakeholder Appraisal
Investigator(s)	<ul style="list-style-type: none">▪ Geoffrey Injeni – ginjeni@strathmore.edu 0722 292195▪ Dr. James McFie – jmcfie@strathmore.edu 0727 857 917▪ Prof. Musa Mangena- musa.mangena@ntu.ac.uk
Study Sponsor(s)	Strathmore University
Collaborators	

This Informed Consent Form has two parts:

- Information Sheet (to share information about the study with you)
- Certificate of Consent (for signatures if you choose to participate)

You will be given a copy of the full Informed Consent Form

Part I: Information Sheet

Geoffrey Injeni, Dr James McFie of Strathmore University and Professor Musa Mangena of Essex university UK, are doing a study on application of integrated reporting in Kenya's listed companies. We are giving you this information because we would like you to participate in our research project. If you prefer not to participate, you are free to choose to do so. You will continue to receive health services the way that you normally would, with no negative impact. We want to make sure that you have all the information that you need before you decide. Members of our team are here to help you understand more about the project. If you do not understand any of the words or ideas that you see on this form, please ask us to explain the information to you. You can talk to anyone from our team whom you feel comfortable with about the research.



Why is this Project Important?

In March 2016, CMA introduced corporate governance rules for public companies that recommend the adoption of integrated reporting. Integrated reporting is a type of reporting that requires blending both financial and non-financial information, rather than separate reports. Advocates of integrated reporting explain that integrated reporting provides more information that useful for companies, regulators and also users. The current reporting practices require companies to prepare separate reports for financial and non- financial nature, while integrated reporting requires the reports to be combined and demonstrate where value is added. Therefore, it would be important to determine the perspectives of the three stakeholders here in Kenya about integrated reporting.

Who Can Participate?

You are being invited to take part in this research project because we feel that your experiences with:

- 1.Preparation of Annual Report
- 2.Regulation of listed companies
- 3.Analyzing listed Companies

Participation is Your Choice

Your participation in this research is completely voluntary. You will make the choice about whether you will participate or not. If you choose not to take part, your decision will be respected.

What Is Involved in this Project?

This study has several sections. The first is by use of questionnaires where preparers of annual reports are requested to provide their views about current reporting framework and their views on integrated reporting. The questionnaire will be online and is expected to take not more than 25 minutes. A pilot study is also conducted with hard copy of the questionnaire. In addition, interviews will be conducted with regulators and analysts on their perspectives about integrated reporting. During the interview responses to some questions may be recorded. This may require a separate consent form. However, respondents have the



right to decline answering some questions. In addition, if changes are made to the study or new information becomes available then this will be made available to you.

How Long will the Project Last?

This study takes place over 6 months from December to about May/June.

What are the Risks?

There is a risk that you may share some personal or confidential information by chance, or that you may feel uncomfortable talking about some of the topics in this study. However, we do not wish for this to happen. You do not have to answer any question or take part in the survey if you feel the question(s) are too personal or if talking about them makes you uncomfortable.

What are the Benefits?

There will be no direct benefit to you, but your participation is likely to help us find out more about the current reporting framework and whether integrated reporting can work for Kenya's listed companies.

How will we Protect your Information and Confidentiality?

We will not be sharing information about you to anyone outside of the research team. The information that we collect from this research project will be kept private. Any information about you will have a number on it instead of your name. Only the researchers will know what your number is and we will lock that information up with a lock and key. It will not be shared with or given to anyone outside of our project.

What will Happen with the Results

The knowledge that we get from this research will be shared with you and your community before it is made widely available to the public. Each participant will receive a summary of the results. There will also be small meetings in the community and these will be announced. Following the meetings, we will publish the results so that other interested people may learn from the research.



Can I Refuse to Participate or Withdraw from the Study?

You do not have to take part in this research if you do not wish to do so. If you choose not to participate, nothing will change. If you wish to stop participating in the study after you begin, you can stop at any time by telling someone on our project team. If you choose to stop taking part, there will be no implications on you.

Who Can I Contact?

If you have any questions, you can ask anyone from our team now or later. If you have questions later, you may contact Geoffrey Injeni on 0722 292 195 or ginjeni@strathmore.edu. If you have questions about your rights as a research participant you may contact:

The Research Officer
AMREF Kenya
Wilson Airport, Lang'ata Road
Office Tel: +254 20 6994000
Fax: +254 20 606340
P.O Box 30125-00100
Nairobi, Kenya

Do you have any questions at this time?

Part II: Certificate of Consent

I have read the above information, or it has been read to me. I have had the opportunity to ask questions about it and any questions I have been asked have been answered to my satisfaction. I consent voluntarily to be a participant in the study.

Print Name of Participant

Signature of Participant

DD/MM/YYYY

