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The IIRC - An emerging epistemic community? An exploration of the tensions between emerging and prevailing logics in the corporate reporting regulatory space

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Abstract

The term integrated reporting is becoming an increasingly ubiquitous and powerful idea in corporate reporting. Although there is no generally agreed upon definition, conceptual framework or standard, the term integrated reporting emerged through various initiatives and reporting practices in the reporting field. In 2010, the International Integrated Reporting Committee was set up with the purpose to internationalize a framework and oversee the creation of a generally accepted international integrated reporting framework (IIRF). The aim of this study is to further our understanding of how expert knowledge could translate into power in a field where multiple institutional logics are present. The study focuses on (i) why and how the IIRC has emerged and (ii) explores the relationship between the emerging and prevailing logics in the corporate reporting regulatory space. The analytical framework draws from the concept of epistemic communities, collective institutional entrepreneurship and collective action to analyse the sustained collaboration among diverse actors in the regulatory space to work towards a new corporate reporting model. The analysis is derived from a review of official reports, consultation documents, comment letters and press releases available on website of IIRC and its founding members. This is further supported by in-depth interviews with key persons in the regulatory space. Preliminary evidence shows that the IIRC has navigated through a densely organised yet fragmented regulatory space to gain significant leverage while the definition, episteme and conceptual framework of integrated reporting are still "in the making". The skilful convening of powerful actors to break the mode of inertia and engage in collective action provided IIRC with legitimacy and a wide platform within which extensive individual and collective networking efforts could be orchestrated. This emerging episteme is legitimised not only through expertise and representation by leaders of participating organisations but IIRC's mediating role in the pilot bringing together the investor network and leading reporters to the "innovation hub". This provided a catalyst for institutional change and the convergence of logics. In its quest for efficiency and effectiveness, the proposed IIRF guides corporations to communicate their value creation through their business model for providers of financial capital to make financial capital allocation decision. This places the potential shifts in reporting logic in the hands of corporations, mediating organisations and organisations in the financial sphere. Though tensions had been eased through framing the process as a journey and aligning long term investor needs with other stakeholders, it is the loss of decision usefulness of sustainability reports and the lack of evidence of other stakeholders using the report to engage in dialogue with companies and policy makers that have diminished their standing in the corporate reporting regulatory space. In the search for a new reporting model the information needs of other stakeholders have been legitimately subordinated and constructed out of the corporate reporting space, temporarily – at least.

1. Introduction[1]

Two issues have dominated the political agenda in recent years, the financial and climate crisis. The quest for new models of capitalism and regulating a re-ordering world has revived debates on the role and accountability of corporations in society; significantly impacting corporate reporting and auditing (assurance) practices. Corporations increasingly utilize external reporting to legitimize their existence and operations, which has resulted in an increase in ESG performance to a broader group of stakeholders. Reporting practices in these areas are often not integrated but take the form of "add-ons" to financial reporting. This has been accompanied by fragmented developments in reporting standards by accountancy and non-accountancy organisations to guide financial and non-financial reporting. A survey by ACCA indicate that current reports are too long with excessive details, backward looking, too complex and too general to meet individual needs (ACCA, 2012). Corporate responsibility reports are also described as incomplete (Adams et al, 2004); disconnected (Simnett et al 2009), dominated by financial information and ill-equipped to reflect intangible value drivers and assets (Petty & Gutherie 2000, Adams et al 2011). On the supply side, corporations struggle to comply with the various best practice standards, costs (GRI 2013) and the legitimacy of their reports (Gray 2010; Gray et al 2002; Adams et al 2004). Although there is no generally agreed upon definition or standard, the term "integrated reporting" has becoming an increasingly ubiquitous and powerful idea, which emerged through various initiatives. 20% of the reports in the GRI's Sustainability Disclosure Database in 2011 are self-declared "Integrated Reports" (GRI, 2013). In 2010, the International Integrated Reporting Committee was set up to see to the development of an International Integrated Reporting Framework (IIRF).

The shifts in the demands on corporate reporting due to e.g. the financial crisis have created opportunities for institutional innovations and new epistemic communities to emerge. Research on the emergence of private authority standard setting organizations in the accounting and auditing focused on standard setters with humble origins and their rise to global prominence over several decades. The IASB and IFAC have gained recognition as global standards setters with the International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA) identified as key for sound financial systems, deserving of priority implementation and benchmarks of good practice (FSB, 2009). Both standard setters relied on expert based legitimacy to carve out a space in the financial architecture in the aftermath of financial crisis where international standards were regarded crucial in global governance (Kerwer, 2005; Loft et al 2006; Humphrey et al, 2008; Martinez Diaz, 2005). The IFAC sought to strengthen its global regulatory status through changing their governance and accountability structures (Loft et. al. 2006, Humphrey et al. 2008) to reflect institutional logic of global standard setting. Similarly, Martinez-Diaz observes IASB's growing global influence through building legitimacy through its episteme, embed itself in a network of international organizations and align its interest with powerful players (Martinez Diaz, 2005). In contrast to IFAC and IASB, the International Integrated Reporting Committee

[1] This is a project in its data collection phase; documents and interviews are still being coded.

is an assembly of a diverse network of actors involved in the publication, use and regulation of corporate reporting to create a new reporting model.

The development of conceptual frameworks and standards can be seen as a sense making exercise. They provide guidance to reporting organisations as to what is relevant and important and what is immaterial and insignificant through inclusions and exclusions (Young, 2003, Hines, 1991). The conceptual framework for integrated reporting constructed would have potential effects on the logics and episteme of reporting which determines the information available for resource and wealth allocation. Therefore, the awareness of the historical conditions and constitutive elements leading to the emergence of the IIRC; the examination of institutions involved in its development and how tensions of emerging and prevailing logics are handled are fundamental to the understanding of the power influences on these new forms of reporting. A better understanding of how the IIRC operates and the nature of its influence would provide insights demonstrating how expert knowledge is constructed and how that could translate into power. This study focuses on (i) why and how the IIRC emerged and (ii) explores the relationship between the emerging and prevailing logics in the corporate reporting regulatory space.

The remainder of the paper is structured as follows. The next two sections present the theoretical orientation and the method adopted. This is followed by: sections 4 to 6 that presents an analysis of the exogenous and endogenous conditions that led to the emergence of the IIRC; how resources have been mobilized to create and legitimise the work of IIRC and the tensions created by emerging and prevailing logics in the regulatory space. The paper concludes with a discussion of IIRC as an epistemic community and developments in the corporate reporting regulatory space.

2. Epistemic Communities, Collective Institutional Entrepreneurship and Collective Action in the Corporate Reporting Regulatory Space

2.1 Fragmentation in the Corporate Reporting Regulatory Space

DiMaggio and Powell (1983) defines a field as a community of organisations or clusters of actors that, in the aggregate, constitute a recognised area of institutional life: key supplies, resource and product consumers, regulatory agencies and other organisational that produce similar services or products. The corporate reporting field includes corporations, regulators, users of reports, auditors among others. Structural failures in the corporate reporting field provide opportunities for emergence of new epistemic communities and introduction of new logics that provide the organizing principles of a field (Friedland & Alford 1991; Reay & Hinings 2009). These logics define goals of the field and the templates (e.g., in this case the conceptual framework and standards) required to accomplish these goals (Ståhl 2011). Not all actors within the field would take on a role in the regulatory space. The regulatory space is a metaphor depicted by a "range of regulatory issues subject to public decision in a given community" (Hancher and Moran 1989). The regulatory space concept is useful to enhance our understanding of the nature of the shared space, inner workings and the environment from

which conceptual frameworks and standards emerge, and how they are legitimised or de-legitimised (Young 1994).

The corporate reporting regulatory space is characterized by fragmentation of knowledge and power, occupied by state as well as global and domestic non-state actors. Complexity in the space arise from interactions, patterns of influences and power relationships between, the actors and / systems. Epistemic communities function and exert influence within this space.

2.2 Epistemic communities in the regulatory space

In the era of global governance, policy makers are increasingly dependent on expert networks to devise transnational solutions to tackle global problems (Cross 2013). Epistemic communities originate from the Greek conception of episteme; Peter Haas drew from Kuhn, Holzner, Ernst Haas and Ruggie to operationalize the concept of epistemic communities in International Relations.[i] Haas defines epistemic communities as "a network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy relevant knowledge within that domain or issues area" (Haas 1992, p3). He characterised epistemic communities to include a shared set of normative and principled beliefs, causal belief, common policy enterprise and notions of validity. This provides a value base rationale for the social action of community members, internal criteria for validating knowledge and a set of common practices associated with set of problems which professional competence is directed (Haas 1992). In the context of a globalising world, Cross (2013) recognised limitations and misinterpretations of Haas' conception and proposed several innovations to the "epistemic community" concept to further its utility to explain transnationalism and networks. She puts forth that these communities can be governmental / non-governmental, scientific / non-scientific and their influence be extended to state and non-state actors that have decision making powers. The communities cannot be argued to exist or not exists, its persuasiveness and strength lie on a continuum depending on its internal cohesion determined by selection and training, frequency and quality of meetings, shared norms and culture.

Cross also highlight that knowledge is socially constructed which places importance on the legitimacy and political strategies. In standard setting literature, Martinez-Diaz defines epistemic communities as "transnational communities of private sector experts with dynamic links to firms, regulators and international organisations" (Martinez-Diaz 2005 p.6). These communities have been described as "political animals" (ibid, p.7) who play a role in the production of and advocates of the adoption of that knowledge (Irvine et al 2011). Hence, the definition of epistemic communities are not narrowly constrained to scientific expert groups advising governments but include transnational networks of knowledge-based experts with a legitimate claim to policy relevant knowledge whose formation and subsequent continuation is the belief and confidence in its core values. The concept's utility and explanatory power contributes to the understanding of the influence they have on decision makers with regard to a particular policy area; what makes them more persuasive than others and how their new ideas gain traction in the presence of prevailing logics in the regulatory space. This paper puts forth IIRC as an emerging epistemic community.

2.3 Emergence of an epistemic community

Although epistemic communities provide explanatory power on how knowledge translates to power through their influence and persuasiveness in policy making; its existence is too often taken for granted. Research on the emergence of an epistemic community requires an analysis of its process; the external conditions, as well as the community's endogenous factors. In the case of corporate reporting, the fragmented, strongly embedded institutions in the field make it too complex for a single actor to spearhead challenges needed for institutional change. The failure of individual efforts by institutional entrepreneurs to bring about institutional change suggests a need for collective leadership and action from a broad spectrum of actors with divergent interest (Wijen, et al 2007; Lawrence and Suddaby 2006). This raises questions of why now? And what motivates actors to the break from inertia to engage in collective action? This paper draws on theories of collective institutional entrepreneurship and collective action for theoretical orientation.

Collective institutional entrepreneurship is defined as "the process of overcoming collective inaction and achieving sustained collaboration among numerous dispersed actors to create new institutions or transform existing ones. (Möllering 2007, Wijen, et al 2007). Factors that overcome inaction includes exogenous drivers as well as endogenous factors. Drawing from regime theory, Wijen et al 2007 identifies the following factors: manipulation of power configuration, creation of a common ground, mobilisation of bandwagons, creation of appropriate incentive structures, usage of ethical arguments and implementation mechanisms. The break from inertia activates collective action.

Van de Ven and Hargrave 2004 identified four models of institutional change: institutional design, institutional adaptation, institutional diffusion and collective action. The first three models focuses on change brought about by: institutional entrepreneurship, isomorphic forces and adoption and retention of specific institutional arrangements among institutional actors in a population respectively (Van de Ven et al 2004). The collective action model examines how new institutional arrangements emerge from interactions among interdependent partisan actors to facilitate or constrain social movements or technological innovations (Hargrave et al 2006). The process of institutional change involves framing contests, construction of networks, enactment of institutional arrangements and collective action.

Framing process is crucial to understand institutional change as shared meanings socially constructed. Framing involves a discursive, strategic and contested process whereby collective action is articulated in context of the purpose and goals of a movement which involve working out internal framing disputes and contest with other opposing frames (Benford and Snow 2000; Hargrave et al, 2006). Epistemic communities play a crucial role in this process as it provides an arena where these framing processes take place (Haas, 1989). Actors engage in diagnosing, prognostic and motivational framing imposing their frameworks and framing issues to reproduce themselves. It also reveals how emerging and prevailing multiple logics are handled by the different standard setting organisations in the regulatory

space. Importantly, network engagements also provide isolation mechanisms allowing greater commitment of new knowledge and innovations. (Rappa 87, Astley 85).

Institutional change involves construction and mobilisation of formal and informal networks (Hargrave, 2006). Networks are a key passage point for influential ideas (Sahlin Anderssson 2006) and conduit for new models, concepts and practice. At the centre of the definition of epistemic communities is “network” symbolising a paradigm for the architecture of complexity (Kenis and Volker 1991). An analysis of the network would bring to light the mobilisation of financial, social and knowledge-based resources to support various framings and bring about institutional change. The need for and emergence of epistemic communities does not correlate to their degree of influence. Equally important in the implementation phase are institutional infrastructures (E.g. frameworks and standards, resource endowment, existing regulatory relationships etc.) and political engagements needed to realize the change, stressing the importance of conflict, power and politics in the regulatory space.

3. Research Method

This is a qualitative exploratory study of the emergence of the IIRC and the relationship between emerging and prevailing logics of corporate reporting. The role theory is to sensitize the researcher to possible lines of inquiry and create an analytical framework to gain a more in-depth understanding of these developments in the regulatory space. The theoretical orientation points to two phases which empirical data can be organised: (i) emergence phase and (ii) implementation phase. The first phase include documentation associated with the move from inertia to emergence of IIRC, and second, the process which IIRC and its network of actors frame integrated reporting, mobilize resources and interact within the regulatory space to change institutions.

The analysis is derived from a corpus of documents including unsolicited electronic and physical data that are contained in open archives or are publicly available from predominantly the IIRC and the founding institutions: IFAC, A4S and GRI (I am still in the process of coding documents from 2013 issued by GRI and IFAC). Documents include an extensive official reports, discussion papers, consultation documents, comment letters, interviews available in social media and press releases. Corroborative evidence has been collected through 7 in-depth informant interviews with the main actors representing key organizations in the regulatory space (5 more informant interviews have been scheduled between December and January). These interviews serve to fill the information gaps of documents and enhance the understanding of the social and temporal context of IIRC’s emergence. The interview questions were broad, semi-structured, open-ended organised along three broad themes: motivations for collective action; dynamics and challenges for working with and alongside IIRC and conflicting and complementary element between the logic and templates of IIRC and the respective organisations. These interviews ranged from 40 to 80 minutes, five were carried out by telephone or skype) and two were conducted face-to-face.

4. The emergence of the International Integrated Reporting Council

4.1 Existing dominant logics in the corporate reporting regulatory space

The corporate reporting regulatory space consists of diverse standard setters regulating different aspects of corporate reporting. Financial, sustainability reporting standards are set in 'many rooms' grounded on different logics, each area pursuing separate paths of development. Each institution differ in material and cultural characteristics (Friedland and Alford, 1991), which determine the interests, identities, values, and assumptions in the organizations. Without a hierarchical structure or central authority body to coordinate these efforts, contesting logics prescribe different courses of action to guide reporting entities (Black 2001).

In most legal jurisdictions, Company Law stipulates the role of a company through its regulation of the relationship between the shareholders, the board, and management. Company law is seen as supporting the norm of shareholder primacy. Companies are required to report on their financial performance. The IFRS is the most widely used global standard financial reporting. The IASC (now IASB) was established in 1973 to formulate accounting standards in the public interest and to work towards accounting harmonization due to increase in international trade (IASC, 1992). Its membership comprised of professional associations that are IFAC members. The IFAC Council had substantial power nominate and appoint Board members. The developments in the 1990s in capital markets and trend towards global regulation, technology led to restructuring efforts. The new body, the IASB established its status as the global accounting standard setter through developing its position as an epistemic community (Martinez-Diaz 2005). It reduced the prominence of professional associations including the IFAC and strengthened its authority through cooperation with IOSCO, the European Commission and the SEC (ibid). In this context, the IASB has the objective of developing in the public interest a single set of global financial reporting standards that require high quality, comparable and transparent information in financial statements and other financial reporting. The IFRS is drafted to help financial capital providers namely: "investors, other participants in the world's capital markets and other users of financial information to make economic decisions" (IFRS, annual report). The 1997 Asian crisis saw the establishment of the Financial Stability Board and the recognition of IASB and IFAC as key players and epistemic communities within the global financial governance arena setting IFRS and ISA for financial reporting and auditing. These standards with the support from international organisations, such as International Monetary Fund, European Union[ii] and World Bank, are regarded today as benchmarks of good practice to strengthen the global financial architecture.[iii] Embedded within prevailing logics in financial accounting regulation is financial stability through high quality international standards set by experts in public interests for primarily financial stakeholders and securities regulators.

On the national level, initiatives have also been taken by governments, securities regulators[iv] and other civil society organisations to impose mandatory requirements or encourage voluntary reporting of sustainability performance of corporations, state-owned companies and other organisations (UNEP 2013: 38-50). Companies attempt to legitimise their existence to a

larger group of stakeholders. Climate change and other sustainability related policy concerns have led to various initiatives by a myriad of standard setters developing normative frameworks, standards on management systems, performance assessment, certifications, reporting and assurance (Table 1). Among these standards are the GRI reporting standards, which has gained internationally acceptance through its approach, networks and strategic partnerships with the OECD, UNEP and the UNGC and alliances with International Finance Corporation, ISO, the UNCTAD and the Earth Charter Initiative.

The GRI with its roots in the US non-profit organizations: the Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute. The GRI was inaugurated in 2002 as an international not-for-profit network based organization. The governance bodies include members with diverse skills, education, and cultural backgrounds. It adopts an inclusive multi-stakeholder approach to standard setting with representations from companies, civil society and labour organisations, businesses, mediating institutions[v], academia, labour, public agencies and intergovernmental agencies. The GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. In comparison with the prevailing logics in financial accounting regulation, regulating sustainability reporting has sustainable development as the larger goal.[vi] Standard setting involves representation from multi-stakeholders and standards developed to complement and integrate various initiatives present.

Financial	Sustainability
IFRS FASB (efforts to converge)	Normative framework UN Global compact, UN Conference on Trade and Development, OECD Code of Conduct for MNEs Reporting standards AA1000 framework, GRI, A4S, CDS, ISO26000 Management systems ISO14000, ISO 26000 Assurance standards AA1000AS, ISAE3410, ISAE3000 Other standards WBCSD, WICI, European Federation of Financial Analyst, ICGN, Collaborative Venture on Valuing non-financial performance,

Table 1: Examples of international standards in the corporate reporting regulatory space

4.2 The move from inertia to collective action

4.2.1 Shifts in the field

The fragmented development in the corporate reporting regulatory space has contributed to if not encouraged a disjointed approach to corporate reporting. Corporations report financial and non-financial reporting in separate reports as a solution to satisfy both financial stakeholder and other stakeholder groups respectively as an attempt to reconcile stakeholder primacy and legitimise their role in society (Sjåfjell, 2012). The development in the regulatory landscape has increased the web of standards companies and placed greater demands on resources and reporting expertise on corporations to perform this reconciliation function. It has also given the accountancy profession scope to develop advisory services.

Several initiatives and entrepreneurial effort have been taken in the corporate reporting regulatory space indicating the need for innovation and change. Reporting companies began to integrate sustainability and financial reporting to various extents. For example, having a separate sustainability report attached to the financial report; publishing an annual report with financial and sustainability information making weak linkages between the two areas or publishing annual reports which shows sustainability embedded in the corporate decision making to different extents (GRI 2013). Another initiative was taken by the Accounting for Sustainability Project set up by His Royal Highness The Prince of Wales in 2004. The A4S framed its initiative to develop the Connected Reporting Framework in response to *"the growing dissatisfaction, among both preparers and users, with the incompleteness, length and complexity of many organizations' Annual Report and Accounts"(A4S website)*. The framework had been developed from the perspective of the needs of long-term investors and management and focuses on embedding sustainability within the organization. Reporting is regarded as a means requiring information to identify and explain the connection between how organizational performance can be presented in a connected way to reflect the organization's strategy and management. The ICGN also published a statement of guidance on non-financial business reporting stressing the importance of the overall context company and promotes better understanding by setting out disclosure criteria that assist companies in meeting investor expectations, generating dialogue between content and timing of nonfinancial reporting (ICGN 2008). The Climate Disclosure Standards Board (CDSB) set up after the World Economic Forum in Davos in 2007 is working to provide material information to investors through integrating climate change-related information into mainstream financial reporting with the purpose of promoting greater transparency to enable better and informed decisions.

The financial and sustainability crisis has galvanised a growing number of policy and regulatory initiatives by state and non-state actors at the international, transnational, regional and national levels to address regulatory gaps to promote greater financial stability and a more sustainable society (UNEP et. al 2013). An example is the European Union's proposed revision of the Fourth and Seventh Company Law Directives for companies to disclose information on policies, risks and results on environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery issues, and diversity on the

boards of directors[vii]. The EU also imposed requirements for banks to report on risk; and extracting and logging companies to account for the use of revenue from natural resources[viii]. Another example is the Johannesburg Stock Exchange (JSE), requiring listed companies to publish integrated reports to gives users an all-round view of the company by including social, environmental and economic performance along with the company's financial performance.

The above paragraphs are a few initiatives that illustrate little jolts to bring together the multiple logics in corporate reporting practice, simultaneously new standards are emerging e.g suggest a gap in the regulatory space and need for new episteme in corporate reporting giving opportunities for new epistemic communities emerge.

4.2.2 Founding members of IIRC and their perceived social positions

The complexity and strongly embedded institutions in the corporate reporting field posed as a constraint for A4S and GRI to garnered sufficient leverage in the corporate reporting to spearhead institutional change. Focusing on the needs of investors and corporations, the A4S did not significantly occupy the voluntary reporting space where GRI has strong leverage. Nor could it have significant influence on financial reporting that is densely regulated by different jurisdictions.

In 2008, the GRI gained international acceptance with 77% of G250 (KPMG, 2008) and over 1000 companies were aligning to GRI sustainability reporting standards. It engaged with more than 500 organisational stakeholders from over 50 countries (GRI 2008). Despite the widespread adoption of GRI standards, the decision usefulness of the reports to external stakeholders was questioned. Interviews with key actors reveal two main reasons. First, the consensus seeking multi-stakeholder approach lengthened the list of list of topics companies should report with GRI's widening networks. Although the G3 standard placed on companies the role to engage stakeholders to identify relevant content, there was reluctance to exercise choices due to societal pressure and to avoid being accused to concealing particular issues. *"Consequently, reports became more a "management internal monitory tool, less a report that will reveal understanding of company sustainability and strategy" (Interviewee 5).*

Secondly, GRI was reactive in responding to the information needs of the investment community. "Investors are engaging, in this discussion, the risk matrix are including sustainability topics, … GRI has to offer them some type of disclosures that express what they want to know" (Interviewee 1). As the IIRF is developing, the GRI launched the fourth version of its standards engaging with more investors and developed guidance on stakeholder engagement further in determining materiality of reports.

The accountancy profession had been involved in corporate report activities through consultancy, financial auditing and sustainability assurance engagements. Professional accountancy associations and accountancy firms are directly involved in the work of GRI as mediating institutions engaging as organisational stakeholders. FEE, IFAC had been involved in a spectral of activities and debates in corporate reporting and commenting on exposure drafts of reporting and assurance standards of other actors in the space. An international group

of accounting bodies are also engaged in A4S' Accounting Bodies Network since 2008 to promote accounting for sustainability to members of the profession and the finance community. Notwithstanding the debates between members of IFAC, the leaders committed to IFACs involvement. In 2008, IFAC had 179 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. To serve the public interest, IFAC aims to "strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant" (IFAC, 2008). "We did see and have a discussion in a very clear way that financial report as such will not be sufficient to the future needs of society…we had to be part of this process. The profession in the future had to be there" (interviewee 2)

Another reason motivating IFAC's involvement is the restructuring of IASB which led to weakened influence on financial accounting standard setting and its expertise in setting global standards. *"Seeing the GRI and A4s going forward,… standards developing in areas like this... the background and experience IFAC have on standard setting, is absolutely crucial." (interviewee 3)*

In the 2010 World congress of accountants, Deputy President of the IFAC Board Göran Tidström emphasized that IFAC will *"significantly enhance our focus on public policy and regulation in the coming years… and in fact lead the evolution of sustainability and integrated reporting"* (IFAC Annual report 2010).

4.2.3 Creating a common ground

On 11th September 2009, the A4S and the GRI convened a high level meeting comprising investors, standard setters, companies, accounting bodies and UN representatives with the purpose of creating an internationally consistent approach to "connect" the separate pillars of financial and sustainability reporting. This skilful configuration included actors with regulatory power, expertise, networks and resources, as well as reporting organisations and their beneficiaries generated the power concentration needed to legitimise and pave the way for collective action. The group agreed to a new international body to be set up as an arena to bring together reporting expertise from leading financial and sustainability reporting to oversee the creation of a generally accepted IIRF.[ix]

A repertoire of methods were used in create a common ground in support of the collective action towards the vision. The larger problem had been situated in the context of the well-established climate change and sustainability crisis, The Prince's speech on 17th December 2009, framed the rapidly increasing destruction of the Earth's ecosystem as a problem drawing on the work of scientific experts and more hypothetical humane arguments.

"the grim reality is that the experts have concluded that our planet – our only planet and the one, after all, on which we totally depend – has reached a point of crisis...If unchecked,

climate change … resulting in hundreds of millions of environmental refugees, lack of water and uncertain production of food, the increasing spread of disease and, of course, growing social instability; all of which will affect the well-being of every man, woman and child on our planet." (HRH The Prince of Wales Prince Charles)

The Prince called to arms the finance and accounting community framed as *"the engine room of our economy"*, to play a role in looking "afresh at our economic model" and addressing climate change and the sustainability challenge. A common ground was sought through to call for the "establishment of a connected and integrated reporting framework essential to help transition towards a sustainable economy."

The founding documents established a need for "convergence and collaborate" emphasised the need for international cooperation to reduce duplication of current fragmented initiatives in the corporate reporting field and stressed the importance of cohesive and consistency in reporting. The collaborative approach was made clear to not compete or set standards but to provide strategic oversight and vision through creating a framework for reporting to "meet the needs of the capital market and society in the 21st century". The document made reference to establish a *"powerful, international cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society*" included the following representations" as an international governance structure that parallel to the Financial Stability Board (A4S 2009).

4.3 The IIRC

4.3.1 Paving the way for a new organisation

Work in the name of IIRC was initiated in 2010 prior to its incorporation. A steering committee and work group were formed comprising members from organisations that have an interest and expertise in corporate reporting. This formation served as an arena for members to coordinate action, share expertise and consolidate recommendations towards the IIRF. It also provides a platform for members to garner support and engage stakeholders on an international level. Two key activities with significant outreach were a panel session organised through the GRI conference in 2010 attended by over 1200 participants from 77 countries. The panel consisting of 5 standard setters and technical experts 5 corporations working with sustainability was chaired by Professor Mervyn King, (Deputy Chair of the 2010 Steering Committee), which 4 panel members are members of the IIRC. Another significant event was the Workshop in integrated reporting at Harvard Business School which Paul Druckman (Chair the 2010 Working Group) expressed the importance to *"bring the major markets with us"*[x]. Both events were published in social media and had more extensive reach than its participants.

The table below show the composition of the steering committee headed by Sir Michael Peet (Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall) and Professor Mervyn King (GRI) and the working group by Paul Druckman (A4S) and Ian Ball (IFAC). The groups comprise various standard setters, regulators, international organisations, potential users and end users of the IIRF. The accountancy profession comprising the

accountancy firms and professional associations play the role of mediation institutions form the largest community.

	Accountancy Profession	Reporters	Sustaina bility Standard setters	Investors	UN	Others	CSO
Working Group	IFAC (C) IASB Accounting firms (3) Professional Associations (2)	MNC (3)	GRI (2) Account Ability A4S (2C)	ICGN Aviva	UNCTAD UNPRI		WRI
20	7	3	5	2	2	0	1
	35%	***15%***	***25%***	***10%***	***10%***	***0%***	***5%***
Steering Committee	IFAC IASB Accounting firms (6) Professional Associations (4)	MNC (5)	GRI (DC) A4S (C) CDSB	ICGN Pension funds	UNGC UNEP FI UNCTAD	Stock exchange regulators (2 US & JP) Academic Consultant	Transparency International WWF 100 Corporate Finance Directors WBCDS
33	12	5	3	2	3	4	4
	36%	***15%***	***9%***	***6%***	***9%***	***12%***	***12%***

Table 2 Composition of 2010 Steering Committee and Working Group of the IIRC

The IIRC held about 20 round tables between 2010 and 2011, 80% in Europe and Asia utilizing various networks to reach out to stakeholders to gain input from global stakeholders on the development and adoption of Integrated Reporting. The round tables were organized utilizing mainly through networks of the accountancy profession, GRI and A4S.

Region	
North America	Bloomberg, CERES, AICPA, SSV, SAP
South America	GRI, BOVESPA
Asia	GRI, Tokyo stock exchange, GTZ, Dubai Chamber of Commerce, 5 professional accounting associations
Oceania	BRFL
Europe	A4S, World Economic Forum, FEE, Academic institution, investment companies, MNEs, EFFAS

Table 3: IIRC Round Tables between 2010 and 2011 (Source: IIRC Website)

4.3.2 Incorporating the IIRC

The Integrated Reporting Committee Limited was incorporated in the United Kingdom in 19th August 2011 as a private limited company. The mission is to create a framework that "underpins and accelerate the evolution of corporate reporting". The objective of the proposed IIRF is to provide guidance to organizations to report in a "clear, concise, connected and comparable manner" on "material information about organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context in which it operates" needed by investors and other stakeholders to assess the organization's long-term prospects (IIRC, 2011).

Findings from the interviews show that a new organisation provides a neutral ground and levels the playing field.

"There is a due process, it has to be within X's mandate, X has to account to its stakeholders … in Europe it is easier because of strong institutions like the European Commission...Global? No counter parties are easily identifiable. Too many voices...no way unless you have very strong leadership." (Interviewee 7)

"It allows evolution…to create a new reporting language and build on the good work that is already done, gain trust of key stakeholders and collaborate in a efficient way" (interviewee 4)

This reflects the structure agency paradox discussed in institutional entrepreneurship theory that setting up a new organisation allows isolation from embedded institutions and greater flexibility for innovation.

5. Creating and legitimising a new corporate reporting framework

5.1 Diagnostic, prognostic and motivational framing

The IIRC published a discussion paper in 2011 "Towards Integrated Reporting – Communicating Value in the 21st Century"[xi] and released the first draft of the IIRF for comment in 2013. In the first discussion paper, it frames the needs for integrated reporting through four dimensions. First, it highlighted the gap between traditional financial reporting and the operations of 21st century businesses. The paper pointed out the increase in intangible assets (from 17% in 1975 to 71% in 2009), interdependence and complexity of businesses, which are not satisfactorily measured by current financial reporting systems. Second, it questioned the decision usefulness of current corporate reports and the effect of the patchwork of laws, regulations, standards, and codes resulting in companies reporting in "silos". The discussion paper pointed to the length and excessive details of reports that obscure critical information that limits its usefulness. The IIRC also framed the problem in terms of a gap between how companies want to report versus how they actually report. Drawing from research by the UN Global Compact-Accenture (2010), "A New Era of Sustainability, UN Global Compact-Accenture CEO Study 2010" and Bloomberg (2010), "The Sustainability Edge, Sustainability Report 2010", it framed that 96% of CEOs from the world's largest companies express that sustainability issues should be fully integrated into the strategy and operations of a company, but 21% of listed companies report any sustainability information. This also supports the above point that investors recognize the materiality of non-financial factors but do not feel that the information they have available is adequate for decision- making. Fourthly, it builds on the lessons from the financial crisis highlighting the problem of short termism in the financial market.

The diagnostic framing sets a foundation for broadening corporate accounting to include not only financial but non-financial performance. This also paved the way for more integrated, transparent reports that allow more discretion for the reporting organization. It frames a normative ideal i.e. reports that are integrated, concise, easy to navigate containing relevant information of the short, medium and long term. This prognosis calls for innovation by investors and companies to find an approach to reporting that will satisfy needs of both parties, motivating its role to act as a mediator for this cause.

5.2 Governance and network of the IIRC

The governance structure of IIRC was published in 2012. A Governance Committee comprising of members appointed by the Council is reviewing it. The organisation structure of IIRC is made up of the Council, Board, Working Group and Secretariat. The Council provides advice on IIRC's mission, role and governance practices; thought leadership, intellectual contribution and strategic insights relating to IIRC initiatives and activities. The Board provides directions and oversees the company's activities. UK Company Law and the IIRC's Articles of Association prescribe the Board's role. The board in 2013 consists 8 members who are high profile leaders in their respective fields who also possess experience

and provide leadership in diverse organizations involved in corporate reporting.[2] 5 board members are strongly tied to the founding organisations (A4S, GRI, IFAC) and other 3 members have association with securities regulators, ICGN and WBCSB. Three members have held key positions within the accountancy field.

The role of the working group is to develop the IIRF, promote the adoption and determine long-term institutional arrangements for the IIRC. The composition of the Working Group in presented in Table 4.

Academia	1	2%
Accountancy profession	14	23%
Civil society organisation	8	16%
Others	2	4%
International organisation	5	11%
Investment organisations	7	16%
Reporting organisation	8	18%

Table 4: Composition of the working group

The secretariat plans, coordinates, execute initiatives and engage in interaction activities in support of the role and mission of the IIRC. Among the 29 member team are 11 relationship managers / directors from different geographical regions, seconded from other organisations to engage in relationship management activities. 9 of 11 members are from the large accountancy firms. Informant interviews with relationship director /managers describe their role in three areas. Firstly, to encourage companies to adopt integrated reporting through communications with CEOs, internal audit committees or report preparers within corporations. Secondly, to encourage investors, pension found asset managers and other financial stakeholders to scrutinise integrated reports produced and to "create buzz" in investment community. Thirdly, they engage with other stakeholders with an interest in reporting.

The IIRC appoints 18 ambassadors, who are high profile respected individuals in their respective fields. Ambassadors provide the IIRC with their ability and networks to engage with and influence key national, regional or international stakeholders. Their role has been defined in the terms of reference as to reach out and stimulate productive discussion around the IIRC's work to promote the aims of IIRC, need for the IIRF and provide feedback and insights as to stakeholders' views. Ambassador's role is voluntary and carried out in the normal course of business.

[2] E.g, The Chairman of IIRC had been the Chairman of GRI, ICGN, a number of corporations, NGOs and has affiliations with accounting associations, academic institutions and had taken advisory positions in the state and international level.

From	No.
Accountancy profession (former IFAC presidents, senior partners, auditors, former members of IASB, FEE national professional associations)	10
Financial capital providers	6
Corporations	5
Advisory activities to government or regulators	15
Academic Community	5
Geographical Composition	
US(7), Europe(8), Africa(1), South America(1), Asia(1)	

Table 5: IIRC's ambassordors

The above information shows strong presence of the accountancy profession in the work of the IIRC and mobilisation of networks to reach out to larger community in different geographical regions, particular the financial community. Interviewees have also indicated mobilising informal networks such as alma matar, recreational clubs and personal contacts.

5.3 Mobilising resources and enacting institutional arrangements

The analysis of the composition of IIRC's Board, Council and Working Group shows diversity in organisations they represent which are rooted on different logics of corporate reporting. In contrast with a more cohesive, technically sophisticated network in the financial reporting and auditing standard setting space, there are more tensions within the network resulting from the different institutions which they represent are embedded. The working group of the IIRC develops the IIRF mobilizing the knowledge of the network of members. To gain internal and external legitimacy require the IIRC to balance the tensions of efficiency, effectiveness and democracy of the participants.

The IIRC legitimizes its work with internal stakeholders through its commitment to a collaborative approach. The IIRC signed Memorandums of Understanding with IASB, IFAC, GRI, CDSB, CDP and WICI. Each memorandum formalised the acknowledgement of the primary roles and goals of parties, their commitment and agreement on cooperation, support, and resources to strive towards complementarity and guide corporations towards the reporting all types of capital for a wider timeframe.

	To	To	From
GRI	91,667 (2013)	Member to council, board, working group	Member to GRI Technical advisory committee and subject expertise to G4 (member of IFAC) (M)

		Full time Secondment to secretariat (N)	
IFAC	15000 (2012) 15000 (2013)	Full time Secondment to secretariat (M) Member to council and governance, board working group Development of IIRC Business model project Office space for (N)	
IFRS	-	Member to council, working group and task force Connectivity project involvement	

Table 6: Arrangements between institutions

The collaborative approach within group meetings is reflected in the following quotes:

"The diversity of the working group is a reflection of diversity within whole effort, the most important thing …current reporting has to be fixed. Everybody in the table is making compromises… greatest challenge is to ensure the recognition that everyone is compromising but we are working towards better reporting than what we currently have." (Interviewee 3)

"Of course, we have different ideas and ways to fix the problem… we are working towards a better way of reporting, of course…that entails compromises, there are details to work out but we are committed to the project" (Interviewee 1)

"The initial focus is on investors but that does not exclude others … further developments in the longer turn to extend to meet other needs" (interviewee 7)

Although the democratic approach to developing the conceptual framework is presented here, IIRC adopts a pragmatic approach delivering standards in an efficient and rational way rather than engage in complex debates to find a normative ideal. Interviewees express the importance of utilising the momentum and gaining leverage in the corporate reporting space.

"Too many issues would alienate companies, … have to keep engaged organisations who are interested in the initial primary development (focus on investors needs reporting by large companies), in a way which is accessible to and holds out for further development which would be desirable" (Interviewee 3)

"For practical reasons, we start with MNEs and financial community to gain leverage…when the initiative takes off we can further develop for broader group" (Interviewee 7)

The IIRC engage in input, output and linkage legitimating strategies to gain legitimacy from external stakeholders. Input legitimacy is strengthened through participants from the various institutions in the network. In addition, the IIRC also sort participation of other stakeholders who through its consultation process. The IIRC published a discussion paper in 2011 and a

draft IIRF in 2013 exposed for public comment to seek the views of stakeholders on the development of the framework. The IIRC sought internal and external legitimacy through its pilot program established in 2011. The program involves more than 75 businesses from 23 countries and 36 large institutional investors from Australia, US, Europe, Asia and South Africa. The programme serves as an arena to bring together reporting companies that apply the guiding principles and content elements of IR by the IIRF and institutional investors, to work towards closing the information gap between the parties. The program provides external stakeholders a view of usefulness and applicability of the IIRF and its contribution to decision usefulness from reporting organisations and institutional investors. The investors' engagement was reflected through a pilot programme investor critique published in 2013 on the benefits of integrated reports and recommendations for preparers pertaining to information gaps. Recommendations were made in the area of connectivity, conciseness, long-term value creation and the credibility of reports. The programme also provides as a legitimising tool, feedback and learning mechanism for internal stakeholders to support IIRC's efforts develop the framework.

The IIRC communicated through its website the endorsement of its work by leaders from IASB, IFAC, PRI, IBGC, SSE and EnBW stating the potential benefits to appeal to different audiences in addition to its extensive networks. These quotes linked integrated reporting to "a more resilient economy", "effective governance tool", "culture of transparency and stability" and "meaningful information".

Interviews reflect concerns on IIRC's lack of due process and transparency by stakeholders of the network.

"IIRC is still a young organization – due processes is still in development …. That and transparency are a critical point for our stakeholders as it is what we expect of them…" (Interviewee 1)

Tensions between actors within the IIRC was eased through the common ground of finding a better reporting model, and the emphasis of innovation, learning and continuous improvement. For example, the pilot program is framed as an IIRC's innovation hub and referred to the people who support the initiative as actors who want to "push the boundaries and challenge the orthodox thinking" towards a new way of reporting. Interviewees constantly stressed the importance that this is a "journey", "first step" towards a better model of report. This enables actors whose needs are not addressed or represented in the current development a temporary settlement that it would in the longer term.

5. Tensions in the space[3]

"You got great expertise in the room, complex issues on the table that got to be unwound and put together and the group is about as good as it gets in terms of thought leadership and

[3] Work in progress. This is a presentation of initial thoughts and findings.

experience. The constituent parts are in place that then does not deal with all the complexity."[4]

The above quote captures the struggle to create a new model for corporate reporting. The first discussion paper invited 214 respondents from diverse stakeholder groups and geographical regions who commented on the paper indicating interest and a wide support of the vision. The technical coding of the vision in the discussion paper flagged key concepts that are yet to be agreed on including the definition of integrated reporting, the intended report users and the definitions of value and materiality and the time horizon of integrated reports.[xii] Potential challenges to the episteme, and bounded rationalities of each actor in the corporate reporting regulatory space are revealed. 75% of respondents did not or did not agree without qualification on the definition of IR; and only 50% and 30% of respondents agreed that the initial focus of IR should be on larger companies and needs of investors.

The consultation draft of the IIRF published in 2013 provided that the IR is a communication tool 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 report would take the form of a "standalone report" making references to other reports, "prepared primarily for providers of financial capital in order to support their financial capital allocation assessments". The consultation draft further states that all stakeholders interested in an organization's ability to create value over time would benefit from the report and in the long run. The draft moreover mentions that long term capital providers and the interests of other stakeholders are likely to be aligned.

There is an attempt to reconcile the different logics in the regulatory space through the use of boundary objects i.e. terms which are interpreted differently across communities but sufficiently robust to maintain a common identity across sites (Star et al 1989). The long term investor's interest in the viability of companies sits well with sustainability as well as financial risk and performance which have a longer term impact. The interest of long term investors also position the work of IIRC in line with the concerns of financial regulators dealing with the aftermath of the financial crisis where short termism had been attributed as a primary cause. The UNEP Finance Initiative and IISD published a report advocating integrated reporting as an essential element in avoiding the pitfalls of short-termism as well as aligning drivers of behaviour to long-term sustainable goals. It is however unclear how the different parties define long term. Interviews suggest that long term could refer to a time frame between one to thirty up to a hundred years depending on different cultures and legal jurisdictions. It is also unclear how the information needs of long term investors can be aligned with other stakeholders and what those needs are.

The IIRF defines value creation as the goal of a company through a sustainable business model that manages six capitals. The implications on stewardship as being wider than accountability for financial capital, appeal to stakeholders from financial and non-financial

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[4] Paul Clements-Hunt, Head of Unit, UNEP Finance Initiative on Integrated Reporting, http://www.youtube.com/watch?v=gkw9j
zJ6Zk 2:17

reporting. Stakeholders however expressed concern as to the lack of clarity of the interdependence and relationship between 6 capitals and value creation; how information from stakeholder engagements would be reported; and the assumption that information needs of other civil society actors would be met.

The IIRC drafted the integrated report as the primary report" in the discussion paper but a "stand alone report" in the draft conceptual framework. An analysis of the comment letters shows that founding organisations highlight concerns as to whether IIRF attempt to guide one report or a summary report that serves as a navigation tool for providers of financial capital and how it envisaged its relationship with other standards. On one hand, stand-alone report that functions like a summary would allow other reporting logics to coexist. On the other hand, it would add to instead of reduce the reporting burden from a company's perspectives.

Tensions in the space have been eased as reporting logics have been converging. Preliminary evidence shows that the collaborative efforts by the leaders of the network organisations had an influence on the agenda, activities and vocabulary in their respective organisations.

"X is very involved. Somehow this has changed X. We start thinking about how to guide this integration." (Interviewee)

For example, in 2010, IFAC's leaders in the Annual Report identified integrated reporting as an important theme together with the sovereign debt crisis and transparency. The IFAC's Professional Accountants in Business Committee revised its Sustainability Framework in 2011 to highlight issues organizations must address to make sustainability an integral part of their business model, embedding "sustainability into the DNA" of an organization. The Sustainability Framework highlights the important roles that professional accountants play in facilitating the sustainable development of their organizations through the business strategy, operational, and reporting perspectives. The exposure draft of IFAC's 2013-2016 work strategy commits to support the work of the IIRC and provide the preparers perspective of professional accountants in business to support implementation of the IIRF. Furthermore, an INFO task force was also set up to look into assurance services for new forms of reporting including integrated reporting. In 2013, the Chair of IASB pledge support on the IIRC's vision of corporate reporting and to cooperate on important areas of mutual interest held an education session to discuss Integrated Reporting.

Although the GRI had developed standards based on CERES principles, the logic had shifted in the drafting of the G3 standard. The G3 standard puts on the management of the company the responsibility of stakeholder engagement and the decision on the contents and the targeted audience of the report. Provisions are made to allow gradual adoption of the standard which focuses on a company's internal triple bottom line performance rather than wider sustainability context (Gray & Milne, 2002, Gray & Bebbington, 2007). Initial definitions of the term sustainable / sustainability took on the development oriented conception concerning eco-efficiency and distribution of resources between current and future generations.

Sustainability GRI's website today made reference to "sustainability of value creation or the global economy".

	Financial Reporting	Integrated reporting	Sustainability reporting
Focus	Communication of primarily financial risk and performance. Little focus on non-financial information	Communication of 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	Communication of a company or organization economic, environmental and social impacts caused by its everyday activities, organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.
Primacy users	Financial community	Providers of financial capital	Up to companies to define – most address to broad range of stakeholders
Timeframe	Annually	Short, medium and long term	Up to companies – Indicators Short term and long term
Stewardship	Financial Capital	Financial, manufactured, human, intellectual, natural and social and their interdependence	Economic, environmental and social
Trust and adaptiveness	Narrow series of mandated disclosures, compliance approach	Transparency, covering a broader range of issues and disclosing the positive with the negative, responsive to individual circumstances	Transparency, material and responsive to stakeholder needs
Standards	Financial stability, Public interest	Financial and sustainability	Sustainable development recently the discourse changed to "sustainable global economy"

Table: Comparison on key dimensions of financial, sustainability reporting and the IIRF

The organisation of a new body, organisational structure and strategies, with the network of GRI and the accountancy profession strengthen the legitimacy and international standing of A4S' work on IR. The original key ideas of connectivity in reporting, including sustainability in the DNA of companies and focus on corporations' and investors needs had not changed. The framework work towards reporting that potentially leads to more effective decisions and capital allocation but remains unclear on the information needs of the other stakeholders.[5] The loss of decision usefulness of voluntary sustainability reports and the lack of intention of

[5] "The integration of environmental and social issues with financial issues could result in a reduction in focus on some issues of concern to particular civil society interest groups".

"other stakeholders" to use the report to engage in dialogue with companies and policy makers have diminished their standard in the corporate reporting regulatory space.

"The weakest link in this conversation are the civil society organisations…many are not experts in the topic, they are activist, it is good from one side because they bring the passion and purpose but on the other side some get easily lost in more technical discussions to measure things… not using reports to dialogue and engage with companies at a higher level. In this sense they are missing a huge opportunity." (Interviewee 6)

At this stage of development, the draft IIRF places the potential shifts in reporting logic in the hands of corporations, mediating organisations and organisations in the financial sphere.

6 Discussion and Conclusion

The IIRC as an epistemic community sits well with Cross' 2013 re-conception and Martinez-Diaz and Irvine's view that it is a community (or in this case network of experts) with dynamic links to firms, regulators and international organisations and play a role in the production and adoption of that knowledge. Preliminary findings show that the IIRC has navigated through a densely organised fragmented transnational world to gain significant leverage in the corporate reporting regulatory space. This has taken place while the definition; episteme and conceptual framework of integrated reporting are still "in the making". The skilful convening of powerful actors to break the mode of inertia, and engagement in collective action through a new organization provided IIRC with a wide platform within which extensive individual and collective networking efforts could be orchestrated. This detachment from embedded institutions allows isolation mechanisms that enable agency to emerge to embrace and catalyse change.

The search for new model or episteme of reporting created a gap for the IIRC to emerge. This however does not correlate with its persuasiveness in the policy arena but provides a strong common ground for collaboration in the course of the work of the emerging epistemic community. The European Commission and European Parliament are following its development with keen interest however; integrated reporting has not been adopted in the latest revision of the Company Law Directives on corporate reporting. The IIRC is still working towards getting onto the agenda of G20 meeting in Moscow 2013. Their influence among private standard setters has been significant; instrumental to this is the involvement of respective leaders in the work of IIRC. The engagement of these key actors provided a means of diffusion whereby integrated reporting, the thought processes of IIRC and the new language of communication found its way to the agenda and discussion of standard setters, importantly, IASB, GRI and IFAC. Interviews indicates that working through a collaborative approach with a strong common ground to develop a meta-conceptual framework discourages hierarchical thinking and has an influence on the balance of powers in the regulatory space.

The ideas of integrated reporting originated from different state and non-state actors in the fragmented space to cope with regulatory gaps. Institutional logic of the space determines

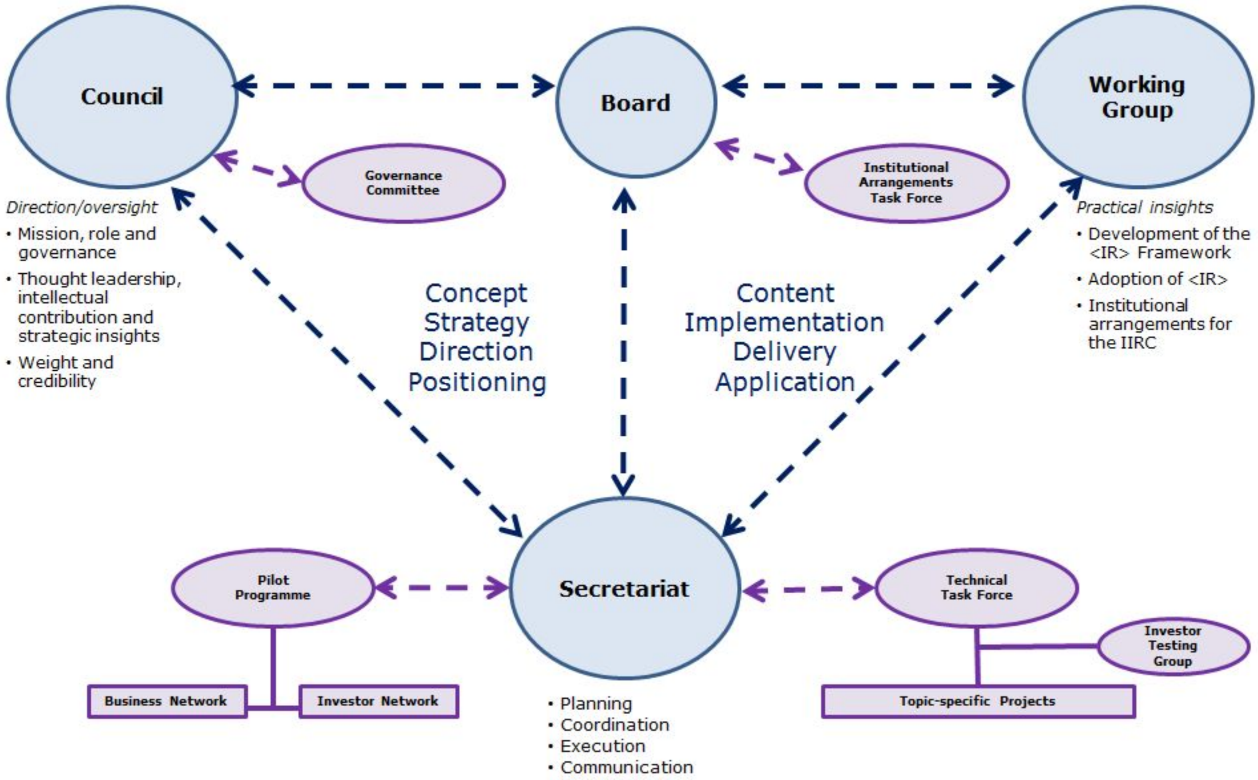
criteria for legitimacy, in the continuous process of standard setting. The IIRC attempts to legitimise its approach to integrated reporting by framing corporate reporting in the larger context of financial and sustainability crisis. The IIRC's integrated reporting episteme is socially constructed through stakeholder engagements, discussion, debates and consultation towards the development of the IIRF. This stresses the importance of understanding the expertise as well as actors and networks behind its creation. Research has shown the epistemic communities (IASB and IFAC) that have emerge as key actors in global regulation in financial reporting and auditing which rely on the expertise of a cohesive, technically sophisticated network to gain legitimacy (Loft et al 2006; Martinez Diaz 2005). The shifts in the logic of corporate reporting created a need for standard setters from fragmented pillars of financial and non-financial reporting to collaborate. Competing logics result in on-going contestation and change (Djelic and Quack 2004), and different sources of resistance (Jeppesen, 2010), which can bring interconnection between professions. In this context, legitimacy is derived from the expertise, representation and IIRC's mediating role bringing together the investor network and leading reporters. This latter pilot program attempts to select rather than make up users of integrated reports. Interesting to note is the skills and experience of the leadership. Leaders of IIRC have taken leadership positions in a variety of different organisations concerning reporting. An analysis of the composition of the bodies within IIRC reveals that the accountancy profession is well represented. In addition, the accountancy profession are heavily involved in the production of four background papers on the business model, capitals, materiality and value creation which has a bearing on the work of IIRC.

The legitimacy and persuasiveness of IIRC in the policy arena is contingent upon how well tensions between emerging and prevailing logics are eased with internal and external stakeholders. This study shows preliminary evidence of the move toward convergence through collaboration and collective action. The rational and pragmatic approach adopted by the IIRC to gain leverage in a regulatory space with several overlapping and competing global networks however brought concerns the relationship between standards and that the information needs of "other stakeholders". Although tensions was eased through the use of boundary objects and through inclusion of the other stakeholders' needs in the long term, concerns were expressed as current choices would have economic and distributional consequences.

Evident in the field of accounting and auditing is the rise of private standard setters IFAC, and IASB in the wake of the financial crisis due to their policy relevant expertise. Academic research has indicated the potential of integrated reporting and its potential in allowing improvement in transparency, improved governance and decision making for all types of organisations (Adams et al 2011, Eccles et al, 2010) which is in line with G20's agenda. On one hand, the IIRF provides a step towards better reporting, on the other hand, the focus on providers on financial capital could change the balance of powers between parties in stakeholder engagements. Corporations that currently report for a larger group of stakeholders could also be encouraged to take a step back to comply with the framework. This places importance on the development of concepts of "value creation" and a corporations "business model" and understanding of "needs of long term investors". More importantly how this

model can achieve the ideals it set out and role in can play in climate change and financial stability and transparency. Academic research has been largely divided, rooted on financial, non-financial reporting and auditing silos. An examination of the emergence of the conceptual framework of integrated reporting could encourage research to adopt a more integrated perspective of reporting, auditing, standard setting and the role of corporations within the wider social and institutional context. Findings would also provide insights on the relationship between emerging knowledge and institutional logic in the field of corporate reporting.

Appendix 1 Structure of IIRC



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Abbreviations

A4S	Accounting for Sustainability
AICPA	American Institute of Certified Public Accountants
ACCA	Association of Chartered Certified Accountants
CDP	Carbon Disclosure Protocol
CDSB	Climate Disclosure Standards Board
EU	European Union
FEE	Federation of European Accountants
FSB	Financial Stability Board
GRI	Global Reporting Initiative
G250	Fortune Global 250
IAASB	International Auditing and Assurance Standards Board
IIRC	International Integrated Reporting Committee
IIRF	International Integrated Reporting Framework
IAS	International Accounting Standards
IASC	International Accounting Standards Committee
ICGN	International Corporate Governance Network
ICAEW	The Institute of Chartered Accountants in England and Wales
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
IRCA	International Register of Certificated Auditors
SEAP	Sustainability Expert Advisory Panel
SES	Stakeholder Engagement Standard
ISO	International Organization for Standardization
ISQC	International Standard on Quality Control
MNEs	Multinational Enterprises
NIVRA	Royal Dutch Institute of Registered Accountants
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
PIOB	Public Interest Oversight Board
RMS	Resource Management System

SSE	Singapore Stock Exchange
SSV	Sustainable Silicon Valley
GC	Global Compact
UNEP	United Kingdom
UN	United Nations
US	United States of America
WBCSD	World Business Council for Sustainable Development
WICI	World Intellectual Capital Initaitive

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[i] Refer to Cross (2013) for a review on the emergence of the term epistemic communities.

[ii] Regulation 2002/1006 (IFRS)

[iii] International Monetary Fund (IMF) (2013) " Standards and Codes: The Role of the IMF" March 20, 2013 http://www.imf.org/external/np/exr/facts/sc.htm

[iv] Seven stock exchanges have publicly committed to the Sustainable Stock Exchange initiative: NASDAQ, OMX, BM&FBOVESPA, Johannesburg Stock Exchange (JSE), Bombay Stock Exchange (BSE), Egyptian Exchange (EGX), Istanbul Stock Exchange (ISE) and MCX-SX

[v] Mediating institutions include accounting firms and professional associations among other organizations

[vi] The original conception used was in line with sustainable development as defined in the Bruntland Report “"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

[vii] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups

[viii] Michel Barnier European Commissioner for the Internal Market and Services Speech “Sustainability and reporting: Europe at the forefront” Global Reporting Initiative Conference 23rd May 2013

[ix] A speech by HRH The Price of Wales at the Accounting for Sustainability project seminar, St James Park published 17th December 2009

[x] http://www.youtube.com/watch?v=i5jsbjxgQ78

[xi] 214 respondents from 30 countries responded and the IIRF is to be published at the end of 2013

[xii] IIRC