

THE EXPERTS PARTICIPATION IN THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK'S DUE PROCESS

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ABSTRACT

The International Integrated Reporting Council (IIRC) in charge of the International Integrated Reporting Framework (IIRF) reinforces its legitimacy through a “due process” (Suchman, 1995) agenda.

In this paper, we study the lobbying activity by a sub-set of constituents: professional bodies and firms, regulators and academics. The purpose of this research is to study the patterns of behavior of comment letters sent by these expert lobbyists. For this purpose, the first objective is to carry out a quantitative analysis of all comment letters received by the IIRC between 2011 and 2013. Next, we analyze the content of the responses regarding the 2013 Consultation Draft (CD) sent by those lobbyist considered as experts.

Our findings suggest that the expert groups welcomed such an opportunity not simply to legitimize the IIRC, but to legitimize themselves.

Keywords: The International Integrated Reporting Framework, Due process, Expert Knowledge, Lobbying, Comment letters, Professionals, Regulators and Academics.

INTRODUCTION

As we posit in the literature review, research on lobbying on standardization processes has received tremendous interest in recent decades (Georgiou, 2004; Morley, 2016). However, while concerns on the development of financial information standards have been widely looked into by academic literature, possibly due to the intensity in the production and re-edition of mandatory compliance standards (Kenny & Larson, 1993; Tutticci *et al.*, 1994; Larson, 1997, 2002, 2007, 2008; Schultz & Hollister, 2003; Georgiou, 2005; Yen *et al.*, 2007; Giner & Arce, 2012; Jorissen *et al.*, 2012, 2013; Morley, 2016), research on nonfinancial standards does not present a comparable development. It is limited to a small number of publications, many of them in recent years (e.g., Mobus, 2011, 2013; Simnett, 2012). Nonetheless, today, nonfinancial reporting standards have a new impetus, thanks to both the growing interest in the literature and the increase in the volume and relevance of disclosures related to social and environmental content (Gray *et al.*, 2001; Owen, 2006; Mio & Venturelli, 2013).

In addition to this asymmetry, the literature related to corporate standards draws mainly on positive and economic streams, neglecting other approaches such as the psychological (Morley, 2016) or sociological perspectives. In this context, very few works have proposed to study the International Integrated Reporting Framework (IIRF)'s *due process* (Oprisor, 2014, Simnett & Huggins, 2015, Reuter & Messner, 2015), and none of them has so far introduced a sociological analysis as the one proposed in this study.

Thus, this study combines these two approaches scarcely looked into by existing research: (1) the interest in a process related to the establishment of non-financial standards, and (2) a sociological perspective as an alternative way to understand the role of those involved in this type of processes.

The IIRC, officially in charge of establishing voluntary standards to guide IR (de Villiers *et al.*, 2014, Rowbottom & Locke, 2016) was born in an era where corporate standardization had already crossed the limits of state regulation, passing into the hands of transnational, independent and self-regulated organizations (Cashore, 2002; Richardson & Eberlein, 2011). The IIRC is both a collaborative project of previous experiences on non-financial information and a step forward in integrating Environmental, Social and Governance (ESG) information into traditional financial reporting. However, despite the backing of a network of pre-existing and recognized standardization entities and standards where GRI and A4S stand out (IIRC, 2011a; Rowbottom & Locke, 2016; Rivera-Arrubla *et al.*, 2016, 2017), this body does not have legislative authority.

The credibility and continuity of a regulatory body such as the IIRC, as well as the legitimacy of its international standards, depend on the adoption of a due process policy widely embraced by its constituents (Suchman, 1995, Durocher *et al.*, 2007; Durocher & Fortin, 2011). In fact, this type of public consultation has already a certain tradition in organizations such as the IASB (Chee Chiu Kwok & Sharp, 2005; Durocher & Fortin, 2011; Richardson & Eberlein, 2011) and its results can compromise the reputation, independence, power and the existence of the standard-setter (Zeff, 2010). In this case, the IIRC welcomed a legitimization process based on the public interest, in which the policy-making community, the constituents of the IR, drew on experts' knowledge as an important source of legitimacy (Boswell, 2008).

Several constituents of the IIRC have been working on the evolution of the IIRF framework and have actively participated in the debate generated by the Discussion Paper (DP) and the Consultation Draft (CD). We refer to companies and investors belonging to the pilot program (e.g., Novo Nordisk, Natura, Microsoft), professional bodies (e.g., ACCA, The South African Institute of Chartered Accountants –SAICA-), multinational audit firms (e.g., Grant Thornton, KPMG, PricewaterhouseCoopers, Deloitte, BDO), the academy (e.g., University of São Paulo), and other standard-setters (e.g., GRI and WICI). Some of these have also been part of different instances of the IIRC government, in addition to participating as *lobbying* groups and integrating the work teams that analyzed the results of the consultations and subsequently collaborated in the definition of the final version of the framework¹.

The multiple involvement of actors such as these, with recognized knowledge and experience in standardization, not only gives legitimacy to the IIRC and its framework, but also increases their chances of influencing the due process and influencing the content of the IIRF. Such groups participating with different roles and at different stages of the process are able to gain visibility of their actions vis-à-vis their own target audience, thanks to their advantageous position over those less involved groups.

In this paper, we study the comment letters received in the consultations carried out by the IIRC in 2011 and 2013. However, our specific unit of analysis relates to the responses to the 2013 consultation sent by some groups that we consider experts (Giddens, 1990), given their more experienced and structured approach to standard setting (Oprisor, 2014) in other words, professional bodies and firms, regulators and academics. The study of the IIRF from this perspective is new and of great relevance, since the draft served as a basis for the formulation of a conceptual framework that continues evolving and that in the future, will be observed in the issuance of new standards on IR.

The value of this research lies in its potential contribution to the academic literature and aims to achieve the following two objectives:

Firstly, this work studies the IR institutional context and the political nature of the due process followed by the IIRC. The particular approach in this case is to analyze the participation of the groups analyzed as expert actors with a strategic position (Giddens, 1984, 1990) before the standard-setter, which would make the IIRC especially sensitive to their interests (Suchman, 1995). This perspective also allows us to observe new behavior patterns. Among others, the preference of expert lobbyists for answering conceptual questions or the length of their letters. Secondly, applying content analysis, our purpose is to contrast possible differences in respondents' positions and arguments. Thus, through the analytical method used by Tutticci *et al.*, (1994), and Demaria *et al.*, (2012), we explore the nature and relative strength of responses and their linkage to the behavior of each expert lobbying group.

After this brief introduction, the remainder of the paper is organized as follows. In Section 2, we review the literature related to lobbying in the establishment of financial and non-financial standards. In Section 3, we frame the analysis in the concept of expert knowledge. In the next section, we present the main features of the IIRC due process. In Sections 5 and 6, we set, respectively, the aspects to be investigated, the hypotheses and the methodological design. To complete this study, we perform an empirical study of the comment letters received to the DP and CD, concentrating on analyzing the behavior of expert groups defined as our unit of analysis. Finally, we present the concluding remarks.

LOBBYING IN FINANCIAL AND NON-FINANCIAL STANDARD-SETTING PROCESSES

The classification of lobbying studies can be divided into three research streams (Durocher *et al.*, 2007): the Positive Accounting Theory (PAT) (Watts & Zimmerman, 1978), the Economic Theory of Democracy (ETD) and Sutton's model of rational choice (1984), and the Coalition and Influence Group (CIG) theory.

Although it is also possible to find a positive stance in a psychological approach on lobbying (e.g., Hirshleifer & Teoh, 2009), the ETD and PAT approaches provide a reduced perspective that little contributes to the understanding of lobbying as a political and / or sociological phenomenon (Chua, 1986; Sterling, 1990; Milne, 2002). Our particular stance is that a phenomenon such as the policy-making process behind IR standards dealing with financial and non-financial matters is far from being properly understood from rational choice models and its

maximization logic (Boswell, 2008). Accordingly, we adopt a sociological perspective as a theoretical frame to review the development of a due process adopted to legitimize IR standards. Regarding this issue, Reuter and Messner (2015) study the determinants of lobbying towards the IIRC, finding that the 2011 comment letters came mostly from large multinationals, and that sustainability services companies and professional bodies took a critical stance against the concept of value creation focused on shareholders. Simnett and Huggins (2015) analyze some IIRC files that compile the results of the 2013 consultation and point out some research opportunities on IR. Finally, Oprisor (2014) makes a quantitative analysis of 50 responses sent by professional and regulatory bodies to the IIRC during the 2013 consultation. The attention to the IIRF's due process promises to extend this field to the analysis of future consultations, which would lead to new aspects, theories and methodological approaches related to the particular characteristics of IR.

EXPERT KNOWLEDGE AND STRATEGIC CONDUCT OF LOBBYING GROUPS

The shape of institutions and its transformation can be examined through the Anthony Giddens's structuration theory and its notion of duality of structure (1984).

Since lobbying behaviors can be explained from a sociological perspective (Sutton, 1984), the analysis of this paper draws on legitimacy and structuration theories to broaden the understanding of the political nature of the IIRF standard setting process. Thus, in addition to recourse to Suchman's typology of legitimacy (1995) to comprehend the characteristics of a due process, our perspective is based on the Giddens's structuration theory (1984), mainly in concepts such as strategic conduct (1984) and expert knowledge (1990).

This study aims to analyze the expert lobbyists from their strategic position in society (Giddens, 1984), position derived from the power contained in their knowledge and experience (Hines, 1989; Giddens, 1990) and which means a decided advantage when it comes to influence the favorable outcome of a process. This theoretical framework would help, for example, to understand, how some groups involved in setting the IIRF have an influential power that lies in their expert knowledge and strategic position in the corporate reporting context. Scott (2008), for example, considers that professions in modern society are the preeminent institutional agents. They are based on formal knowledge, to demand autonomy and secure its position as “the most influential, contemporary crafters of institutions” (Scott, 2008, 223).

When engaged in a standardization process, lobbyists such as professionals, regulators and academics represent a particular valuable background different from the rest of participants.

We argue that this advantage over the others is possible thanks to both their more experienced and structured knowledge and their strategic position before the standard-setter. As we said previously, the experts involved in this standardization movement had a transversal and multiple implication in the conception, revision and edition of the IIRF, as they were both participants in the two consultation periods and part of the work teams and boards of the IIRC. Other papers present a similar perspective regarding the present work. Jupe (2000), for example, from the Latour framework finds that the Accounting Standards Board (ASB) responded to the rhetoric of a small group of key allies in the standard-setting process -companies and auditors- in order to maintain its position as an obligatory passage point, while working on receiving support for its project of accounting reform. Although Oprisor's (2014) approach is different from the one we are proposing here, his work suggests that the professional and regulatory bodies who were part of the 2013 consultation, responded in a greater proportion to the questionnaire than the other groups, due to their specialized knowledge and experience.

A broad participation of experts in a due process is to some extent considered as an essential element of the social contract signed by these parties with society. A contract in which the latter agrees that experts are an effective guardian of the public interest (O'Regan & Killian, 2014). In spite of the risks that experts may mean (Beck, 1992), experts can be considered not only as a guarantee of probity that provides a sense of safety by avoiding or distancing risks, but they should testify to the competence of expert systems that they operate. In doing so, experts allow the lay public to have access and a kind of control over different issues without having the theoretical and / or technical mastery that it requires (Giddens, 1990).

Expert knowledge can be valued both in an instrumental sense, as a regulatory and technocratic mechanism, and in a more symbolic role, as a means of legitimizing the organization's conformity with its own rules (Boswell, 2008). Thus, expert knowledge supports the authority of policymakers and at the same time legitimizes their decisions (Boswell, 2008).

According to Boswell (2008), knowledge can have two symbolic functions. The first one is a legitimizing function, which consists of strengthening the claim for resources and "epistemic authority" (Herbst, 2003) over a political area. The second one is a substantiating function. In this second sense, knowledge gives policymakers sufficient authority to take certain measures and to base their preferences in cases of public contestation.

In this work, experts are believed to be providers of a broader and deeper approach that provides both, a better understanding of fundamental principles and concepts, as well as a more structured methodology for their application. Therefore, it is important to consider, for the

analysis of comment letters, that the purpose of these lobbyists is not only to be heard, but to expand their professional fields of action, while contributing “to the good functioning of their respective fields of expertise” (Oprisor, 2014) thanks to the global perspective allowed by their geographic spread and range of activity.

The emergence of due process in a transnational standard setting context means (1) a change in governance of the standard-setter that replaces a representative model for a technical expert model, (2) the adoption of standards without the intervention of domestic review processes, and (3) the limitation of legitimation mechanisms or rhetoric to which an expertise-based standard-setter can resort (Richardson & Eberlein, 2011). A due process builds its success on a widely accepted and public consultation that vests the rule maker with sufficient legitimacy before its audience. Indeed, the audience relies on the sometimes binding, but not infallible, authority of the expert.

THE DUE PROCESS

OF THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

After the displacement of the state in the task of regulating standardization processes, private regulatory agencies have assumed the practice of submitting their comment letters to the public consultation processes held by international standard-setters. This fact is now seen as normal, to the point that it is an already institutionalized tradition among the different organizations and bodies involved (Durocher & Fortin, 2011). This is the case of the International Accounting Standards Board (IASB) and its predecessor, the International Accounting Standards Committee (IASC) (see for example: Chee Chiu Kwok and Sharp, 2005, Durocher & Fortin, 2011, Richardson & Eberlein, 2011); as well as the FASB, the SASB, the GRI and WICI. Recently, the European Commission, and the Institute of Directors in Southern Africa (IoDSA) have implemented this mechanism in two processes close to IRⁱⁱ.

The inherent nature of standards as rules, makes their production a political activity, rather than the result of a process, and guarantees their technical or economic probity (Richardson & Eberlein, 2011). However, the successful implementation of a standard is also a source of long-term legitimacy. The technical value and the conceptual clarity of standards should also be objectives to be considered in the process.

The IIRC adopted the due process to offer an image of transparency and neutrality. Regarding the formulation of the IIRF, this process consisted of five stages (IIRC, 2012b), of which the consultation was the third, and counted in turn with two phases: (1) the publication of the

discussion paper (DP) in 2011, which resulted in the draft framework (CD), and (2) its public consultation between April and July 2013.

The policy adopted for the publication of the results of the due process was considered by the IIRC as a matter of public interest (IIRC, 2011a, 2013a).

RESEARCH ISSUES

Participation of lobbying groups

Comment letters are only one item in the midst of a variety of formal and informal actions considered as lobbying (Morley, 2016). However, the difficulty of directly observing other informal activities, makes comment letters as much the main source available to investigate lobbying (Tutticci *et al.*, 1994; Weetman *et al.*, 1996), and also a good proxy for the use of lobbying actions (Georgiou, 2004).

In spite of being a widely used approach in this type of research, the study of comment letters has been criticized, when responses are interpreted as votes, without considering the arguments and strategies they involve, the meanings implicit in their content, or the power of persuasion that each response may have on the standard-setter (Tutticci *et al.*, 1994).

Therefore, our study focusses on two consultation processes to help overcome those limitations. The 2013 process concerning the Consultation Draft (CD) was the second one undertaken, so the integrated reporting concept was relatively novel (Rivera-Arrubla *et al.*, 2016), whereas the IIRC inception was still recent. These factors could have led to an increase in the number of comment letters received by the IIRC (359) (IIRC, 2013g), which was higher than the number of letters received during the 2011 consultation on the Discussion Paper (DP) (212) (IIRC, 2011b). In addition to the growing involvement of the parties after the IIRC's advocacy campaign, the second consultation remained a huge opportunity to influence the IIRF, since it was not only a stage of crystallization of the norm (Sutton, 1984), but also the introduction of the new standardization body. The 2013 consultation period was yet a time when more ideas and points of view were welcomed to further legitimize IIRC's activity. Consequently, the significant increase in the participation of each group in 2013 was to be expected.

In addition to this evidence of a general increase in participation, we aim to explore (a) whether or not there are variations from one period to another in the decision of each group to participate; and (b) whether or not there are significant differences in lobbying decisions and when to lobby.

H1a. Lobbyists participated more actively in the 2013 consultation.

H1b. The lobbying activity, regarding the IIRF framework, presents differences among groups as well as consultation periods.

Lobbying strategies used by expert lobbyists

The standard-setter can be influenced by the positions stated in comment letters, and the strength of their wording. This is in fact a good proxy for all lobbying activity (O'Keefe & Soloman, 1985). Each group may deploy different strategies that increase their chances of being heard. Some of them, for example, may focus on specific issues of the standard, or on the endorsement of certain points, while criticizing or rejecting others. An additional strategy (addressed in the following set of hypotheses) is to accompany the responses with arguments of different length, strength or nature to support the position expressed. In this sense, Tutticci *et al.* (1994) points out that participants who express their agreement with the standard tend to have less incentive to present supporting arguments than those whose response is unfavorable. The second part of the empirical work is devoted to analyzing the strategies used by the expert constituents to influence the IIRF. A due process is an interesting opportunity for the accounting profession to reinforce the status and legitimacy of the body of knowledge on which its practice is based and on which its clients trust (Hines, 1989). In addition to accountants, other professions have captured the orientation and narratives of IR. We refer to sustainability (ESG), intellectual capital, public relations and communications specialists, who find in the non-financial information, a broad market, and in the services around the IR, a prosperous professional and business field. However, a finding of our research is that a number of specialized professional firms in non-financial matters that participated in both consultations, were bought, merged or absorbed by a firm of accounting nature, so broadening the professional field of the accounting profession (e.g., Banarra and Net Balance Management Group). Accordingly, professionals can expand or redefine their knowledge base or exert pressure to expand their jurisdictional boundaries, by colonizing the existing space occupied by adjacent professions. In this sense, professions expand their field of expertise into new intellectual and economic spaces (Suddaby & Greenwood, 2001; Suddaby & Viale, 2011).

To test whether or not each of the groups under study chose to follow different lobbying strategies, we propose the following hypotheses:

H2. Professionals, regulators and academics have different preferences for participating in certain issues included in the consultation.

H3. There are significant differences in the **positions** taken by the lobbying groups analyzed.

Strength and nature of the supporting arguments

When it comes to formulating the baseline framework for developing IR standards, respondents are expected to be interested in influencing not only the draft being discussed, but also the orientation of future standards (Sutton, 1984). As a result, participants could resort to different persuasive strategies, such as expressing varying degrees of agreement, using more or less technical or prescriptive language, and choosing arguments of varying scope or nature (conceptual and economic). According to its vision and interests, each group will make the decision to adopt a certain set of strategies to influence the content, depending on whether it intends, for example, to change or suppress a specific aspect (Tutticci *et al.*, 1994; Giner & Arce, 2012; Reuter & Messner, 2015).

The draft framework has been raised so far on principles of voluntary adoption, so it was not mean to develop a set of requirements or standards enforceable through legislation. For this reason and because the philosophy of IR remains a matter of deeper reflection, the maturity of its content is limited to a first conceptual basis, providing a number of initial definitions, without specific guidelines with direct economic consequences. In this sense, Reuter and Messner (2015, 369) highlight how “one consequence of the rather general nature of the framework may be that it is difficult for stakeholders to comment on the economic impact that would go along with adoption of the framework”.

Longer responses could be expected from those groups that choose to emphasize their expert knowledge in different subjects, helping the IIRC in building the framework. Thus, expert lobbyist would show their authority in terms of their contribution to the conceptual clarity of the principles and elements at stake, and to the proper definition of the technical and normative requirements to facilitate their application. This type of strategy, therefore, would go beyond the use of a letter as a vote.

H4. The strength of the responses given by professionals, regulators and academics, is not associated with their level of agreement with each issue of the framework.

H5. Expert lobbyists use supporting arguments of different **length** to set their position before the standard-setter.

H6. Expert lobbyists more often use **conceptual arguments** rather than **economic justifications**.

EMPIRICAL STUDY

Unit of Analysis and Methodology

We study 571 comment letters received during the IIRF public consultation and available on the IIRC website (212 of 2011 and 359 of 2013). The classification used for the analysis follows the definition of interest groups originally proposed by the IIRCⁱⁱⁱ.

100% of these letters were analyzed to test the hypotheses H1a and H1b. We also conducted a X^2 test in order to prove the frequency differences in the lobbying activity among groups and periods. In H1b, in addition to classifying each letter by type of participant, a categorical variable is assigned to the period.

The analysis of the remaining hypotheses (H2, H3, H4, H5, and H6) focuses on the 152 letters sent in 2013 by the expert lobbyists. To test these hypotheses, we performed a content analysis of the respondent positions and the strength of their arguments.

While previous research classifies non-response issues as neutral positions (e.g., Puro, 1984; Reuter & Messner, 2015) and average them into the results to calculate the degree of approbation, we consider that such a procedure influences the interpretation of results. Therefore, we treat unanswered questions as non-response cases, since silence in a question can involve motivations of diverse nature. For instance, the economic costs of acquiring information to respond to a question (Sutton, 1984), or the political price of publicly expressing an opinion. Moreover, respondents could formulate their position in socially and politically correct terms (O'Keefe & Soloman, 1985), or refrain from responding, thus avoiding arguments that highlight their particular interests (Tutticci *et al.*, 1994).

In this second phase, we analyzed 7 of the 24 consultation questions that allow us to establish the agreement level among expert lobbyists with those Fundamental Concepts (FCs), Guiding Principles (GPs) and Content Elements (CEs) that we consider essential to lay the foundations of IR. In particular, we studied the FC of Capital (question 5), the Connectivity and Materiality GPs (questions 2 and 11), and the definition of the Business Model CE (question 7), as well as one of its components: the Outcomes (question 8). The GP on Government (question 17), which consults the opinion on including a statement where those charged with governance acknowledge their responsibility for the IR. Finally, we examine the support given to the Framework as a whole (question 22).

To detail the questions addressed in this study and the general response levels obtained by each issue, see Appendix 1.

Content Analysis

Comment letters are a means by which each agent capitalizes the opportunity to persuade the standard-setter to formulate rules in their favor, or according to their perspective. Consequently, the motivations for sending a public letter may be different and vary from one group to another according to their own interest in the standard being discussed. That said, and since regulatory agencies are susceptible to the opinion of their constituents, it is to be expected that they will interpret in a different way, both the positions for or against the proposed content, and the emphasis that accompanies each response. In other words, along with seeking support for each issue consulted, the standard-setter may also be influenced in a different way by a response with reservations as compared to another one whose opposition or support is vehement.

Some previous works consider that content analysis of comment letters lacks objectivity, because it involves the judgment of the researcher (e.g., Coombes & Stokes, 1985). However, here we interpret the letters received by the IIRC, not only from the classification that usually locates them as either "in favor" or "against" (e.g., Puro, 1984; Deegan *et al.*, 1990; Reuter & Messner, 2015), but also with a deeper approach by grading the strength of each declared position, for which we use the categories "with or without reservations". For doing so, we analyze both the manifest content and the latent content (Berg, 2004) of the comment letters studied through an in-depth reading of each response. It means that beyond to recognize the agreement or disagreement of participants by their comments, we also aim to establish whether they have a moderate or vehement stance for each issue. Finally, we also examine the comments to classify their nature (conceptual or economic). This methodological procedure seeks to capture much of the meaning of the statements provided by the participants.

Thus, our content analysis consists of studying the responses to the questions analyzed, systematizing them according to the level of agreement / disagreement, with or without reservations, voiced by respondents. In addition, we classify as neutral or ambivalent those responses that do not clearly state their position. This procedure is assimilated to the method used by the IIRC once the consultation period ended to define the IIRF finally published (IIRC, 2013h). It is also consistent with that used in previous research (e.g., Tutticci *et al.*, 1994; Demaria *et al.*, 2012).

To classify each response, we use the following codes ranging from full disagreement positions to full agreement positions: "Disagreement", "Considerable Reservations", "Neutral or Ambivalent position", "Agreement with Minor Qualification" and "Agreement". Next, we

apply an X^2 test to examine the differences in the support given to each issue, both by interest group and region.

After analyzing the emphasis placed on the arguments, we measure the length of letters based on their number of pages and the words of each response (Tutticci *et al.*, 1994; Giner & Arce, 2012). We then apply a Kruskal-Wallis one-way rank test to establish whether there are significant differences in the length of responses. Once this is done, we determine where possible differences are found through a Mann–Whitney U test. As a final step, we explore the number of times the responses are formulated in conceptual and / or economic terms.

RESULTS AND DISCUSSION

Table 1 presents the distribution of comment letters by lobbying groups and geographical origin.

Table 1. Breakdown of comment letters by Consultation Period and Geographic Region

	Africa	Asia	Central and South America	North America	Europe	Oceania	Global	Total	
DP 2011									
Preparers								49	23.1%
Organizations	0	3	3	6	19	1	0	32	
Grouped Organizations	0	0	0	1	5	1	1	8	
Banks	1	0	0	1	1	1	0	4	
Grouped Banks	0	0	0	0	4	0	1	5	
Investors and Analysts								16	7.5%
Capital Providers	0	0	0	2	4	0	0	6	
Grouped Investors	0	0	0	1	3	1	3	8	
Analysts	0	0	0	1	1	0	0	2	
Professional Bodies								42	19.8%
Accounting	1	6	0	5	12	3	5	32	
ESG and Reporting	0	0	1	1	1	1	0	4	
Others	0	0	0	0	4	1	1	6	
Professional Services								37	17.5%
Accounting	2	0	0	0	2	0	7	11	
ESG and Reporting	1	3	0	5	8	2	1	20	
Others	0	0	0	1	5	0	0	6	
Regulators								27	12.7%
Government Institutions	1	2	0	1	4	3	0	11	
Standard-Setters	3	1	0	2	4	3	1	14	
Stock Exchanges	1	1	0	0	0	0	0	2	
Academics	0	3	4	3	9	1	0	20	9.4%
Others (society)**								21	9.9%
NGO's and NPO's	0	3	0	1	7	0	2	13	
Coalitions	0	0	0	0	3	0	2	5	
Individuals and Media	0	0	0	0	2	1	0	3	
Total	10	22	8	31	98	19	24	212*	100%

* In the 2011 consultation, 3 comments letters appear twice on the IIRC website: Grant Thornton, SAICA and Synegiz. Reason why they were not included to avoid data duplication. Another 3 letters were not available, as they were treated by the IIRC as confidential letters: CDSB, Good governance Institute and Jermyn Brooks, Chair, Business Advisory Board at Transparency International.

	Africa	Asia	Central and South America	North America	Europe	Oceania	Global	Total	
CD 2013									
Preparers								117	32,6%
Organizations	5	11	6	7	29	4	1	63	
Grouped Organizations	0	7	3	2	18	2	6	38	
Banks	0	1	2	2	4	2	1	12	
Grouped Banks	0	0	0	0	3	1	0	4	
Investors and Analysts								41	11,4%
Capital Providers	2	0	1	5	11	1	0	20	
Grouped Investors	0	1	0	1	8	1	3	14	
Analysts	0	2	0	1	3	1	0	7	
Professional Bodies								53	14,8%
Accounting	3	6	0	5	15	3	7	39	
ESG and Reporting	1	2	1	0	1	1	2	8	
Others	0	0	0	1	2	1	2	6	
Professional Services								75	20,9%
Accounting	1	1	1	1	6	4	8	22	
ESG and Reporting	2	5	6	6	22	2	0	43	
Others	0	2	1	1	4	1	1	10	
Regulators								26	7,2%
Government Institutions	0	2	0	0	6	2	0	10	
Standard-Setters	1	0	0	2	6	2	3	14	
Stock Exchanges	1	0	0	0	1	0	0	2	
Academics	2	3	2	4	9	6	0	26	7,2%
Others (society)**								21	5,8%
NGO's and NPO's	1	2	0	2	5	1	0	11	
Coalitions	0	0	1	1	3	0	2	7	
Individuals and Media	0	1	1	1	0	0	0	3	
Total	19	46	25	42	156	35	36	359	100%

** Other representatives of society (Others society) refers to Non-Governmental Organizations (NGO's), Non-Profit Organizations (NPO's), Individuals who do not declare belong to an organization, Trade unions, and Coalitions made up of different type of lobbyists (e.g., academics, companies, bodies).

Most of the letters originate in developed and Anglo-Saxon countries (Jorissen *et al.*, 2013), such as the United Kingdom (90), the United States (55) and Australia (54), countries operating under legal systems broadly favorable to the interests of investors and creditors (La Porta *et al.*, 1998). South Africa (27) also has an outstanding participation, which is explained by the mandatory adoption of IR among listed companies (Stubbs & Higgins, 2014; Rivera-Arrubla *et al.*, 2017).

On the other hand, almost half of the responses (44,5%) come from European countries such as Germany (32), France (21) and Spain (20), where recent regulations have been introduced requiring disclosure of non-financial information (European Commission, 2014).

Finally, the participation of Brazil constituents is noteworthy (27). In this country, the publication of sustainability reports has substantially increased in recent years (Eccles & Saltzman, 2011; Rivera-Arrubla *et al.*, 2016, 2017).

Lobbying participation

Table 2 shows the participation by group and period and presents the results for hypotheses **H1a** and **H1b**.

When testing **H1a**, we found that, as in the financial standards consultations, preparers had the most active participation ($p = 0,000$) in both periods (23% and 33%). However, their interest in IR was lower than that usually shown in financial standardization processes (e.g., Tutticci *et al.*, 1994; Giner & Arce, 2012; Jorissen *et al.*, 2012). Meanwhile, professional bodies were second in terms of participation, despite there is no significant variation in their activity ($p = 0,259$). It should also be noted that their participation in addition to that of professional service firms, which significantly increased the number of letters sent ($p = 0,000$), is higher than that of the preparers.

As in the case of lobbying associated with financial standards, users (investors) did not participate intensively in the process. The increase from 16 to 41 letters ($p = 0,001$) indicates a greater interest in the second period that can be explained by the launching of the IIRC campaign among the network of companies and investors that made up its pilot program. In the case of regulators, academics and other representatives of society, there were no significant differences in participation.

The lobbying activity of preparers, investors and service firms, followed the same trend in their decision to participate more intensively in the second round.

As for the cross-differences among groups, the activity differs significantly between periods (**H1b**) ($p = 0,009$). In general terms, the Pairwise X^2 test allows to recognize the following behaviors: (1) the activity of the preparers and investors presents significant differences vis-à-vis professional bodies, regulators and other representatives of society; (2) there are no significant differences in the activity of professional bodies, regulators, academics and other groups; (3) there are differences in the participation of professional firms and that of professional bodies, regulators and others; (4) the activity of professional firms and academics does not show any significant difference vis-à-vis preparers and investors.

In general terms, professional bodies, regulators and academics participated in the IIRC due process at very similar levels, while professional service firms had a participation behavior much more aligned to that of preparers and users. Through the test of the remaining hypotheses, we seek to contrast if during the 2013 consultation, the analyzed groups (the experts) observed similar lobbying behaviors.

Lobbying strategies

In order to analyze participation patterns of expert lobbyists, we refer to the data of table 3 that collects the statistics about the questions that expert lobbyists decided to respond.

After testing the **H2** hypothesis, we find that there were no preferences among the expert lobbyists in deciding which questions to address ($X^2 = 1,3828; p = 1,000$). However, in spite of not confirming significant differences, the data allow concluding that professionals and regulators had a greater involvement in the consultation, since in relative terms; they addressed a greater number of questions (more than 90%). This behavior coincides with that found by Oprisor (2014) and allows inferring that the professionals and regulators participation is due to their interest in legitimizing their role as experts and their mission to contribute to the proper functioning of their fields of specialization.

Table 3. Number of Responses per Question by Professionals, Regulators, and Academics in the 2013 Consultation

H2. Pearson $\chi^2 = 1,3828, p = 1,000$

	Total Letters	P2		P5		P7		P8		P11		P17		P22		Average Participation	
		Connectivity		Capitals		Business Model		Outcomes		Materiality		Government		The Framework			
	N	N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
Profess. Bd.	46	44	96%	46	100%	45	98%	43	93%	46	100%	45	98%	38	83%	44	95%
Profess. Sv.	67	63	94%	65	97%	60	90%	61	91%	63	94%	59	88%	51	76%	60	90%
Regulators	19	19	100%	19	100%	18	95%	19	100%	19	100%	15	79%	17	89%	18	95%
Academics	20	18	90%	19	95%	14	70%	17	85%	18	90%	16	80%	15	75%	17	84%
Total	152	144	95%	149	98%	137	90%	140	92%	146	96%	135	89%	121	80%	139	91%

Among the lobbyists analyzed, the question on Capitals received the highest response rate (98%), followed by the question about Materiality (96%). On the other hand, question 22 on the appropriateness of the Framework (80%) and 17 on whether to include or not a statement on Government responsibility for IR (89%) were the least addressed. An analysis of the questions with higher response rates allows us to infer that these lobbying groups had a special interest in discussing aspects that require a conceptual contribution and a broad knowledge.

In question 17, we remark that most comments are questioned whether or not to privilege the credibility that a government statement would introduce in the report, as to its incompatibility with local laws. Participants further express concern about the burden that such kind of statement would imply for the governance of organizations. It is particularly striking that, despite the normative nature of this issue, regulators had the lowest response rate (79%), compared to other aspects covered by this group and opposed to the participation of professionals in this matter (98% and 88%).

Next, we look at the degrees of acceptance of the propositions contained in CD 2013 (**H3**). In table 4 (panel B), the X^2 test points out significant differences in the positions taken on the framework ($p = 0,000$). These are located in the assessment given by professional firms versus those of professional bodies ($p = 0,000$), as well as between professional firms and regulators ($p = 0,015$) and academics ($p = 0,057$). On the other hand, we observe that professionals, regulators and academics have similar stances regarding the IIRF.

Table 4. Positions of the Expert Lobbyists regarding the 2013 Consultation

Panel A: Positions by the Experts

	Professional Bodies		Professional Services		Regulators		Academics		Total	
Agreement	91	30%	134	32%	36	29%	39	33%	300	31%
Agreement with minor qualification	150	49%	132	31%	58	46%	50	43%	390	40%
Neutral	2	1%	29	7%	5	4%	3	3%	39	4%
Considerable Reservations	32	10%	54	13%	16	13%	12	10%	114	12%
Disagreement	32	10%	73	17%	11	9%	13	11%	129	13%
Total	307		422		126		117		972	

Panel B: Participation differences tested with Pearson X^2

H3. Pearson $X^2= 44,4954$; $p = 0,000$

Pairwise differences between groups

Professional Bodies	0,000 ***	0,139	0,445
Professional Services		0,015 ***	0,057 **
Regulators			0,805

Panel A of table 4 summarizes the positions regarding the 7 issues studied (up to a total of 972 responses). The data allows to state that the groups analyzed, mainly supported the draft framework propositions. 31% of participants' opinions were favorable (300 responses out of 972), while only 13% (129 responses) disagreed. However, most responses (52%) presented reservations of lesser (Agreement with minor qualification) (390) or higher consideration (Considerable Reservations) (114). These data indicate that the experts did not participate simply to support or reject the framework, but to point out weaknesses and propose amendments to its content.

Strength and nature of Positions

From table 5 the nuances in the general comments to each question (**H4**) are studied. The reservations observed in most responses indicate that the participants analyzed chose to expose arguments rather than simply indicating whether they agreed with each issue. Unlike the previous findings on financial standards (Tutticci, *et al.*, 1994; Giner & Arce, 2012), the results confirm that, in the case of IIRF, the strength of the experts' responses is not associated with an interest in marking the positions of disagreement ($X^2 = 6,6793$, $p = 0,010$), but to taking part in matters in which they intend to emphasize their view ($X^2 = 82,4920$, $p = 0,000$). During the public consultation of 2013, the interest of commenting on government, business model and outcomes questions was highlighted. These are issues in which the most extreme positions stand out.

Table 5. Strength of the 2013 comment letters

Panel A: Strength in terms of Positions per Question

Issue	Extreme Position	Moderate Position	Total
P2. Connectivity	36	97	133
P5. Capitals	49	97	146
P7. Business Model	67	65	132
P8. Outcomes	73	64	137
P11. Materiality	64	77	141
P17. Government	100	33	133
P22. The Framework	40	71	111
Total	429	504	933

H4. Pearson $X^2 = 82,4920$; $p = 0,000***$

Panel B: Strength in terms of Agreement and Disagreement levels

Strength	Extreme	Moderate	Total
Agreement	300	390	690
Disagreement	129	114	243
	429	504	933

H4. Pearson $X^2 = 6,6793$; $p = 0,010**$

As for the hypothesis **H5**, table 6 allows to verify the results of using the number of pages, words and questions addressed as a proxy for the length of responses. Although the balance of the consultation was favorable to the draft (H3 test), the different lengths of letters indicates that each group resorted to different degree of explanation to position their opinions. This result proves that respondents tried to increase the weight of their responses, making them longer and more complete, as they perceive that in this way they could have more influence on the standard-setter (Tutticci *et al.*, 1994) or show more knowledge to influence the outcome. The most extensive letters were written by professional bodies (11,4 pages and 662 words) and regulators (9,8 pages and 718 words), lobbyists on which the institution and legitimacy of the IIRC as a corporate information standard-setter depends largely.

After using the Kruskal-Wallis test one way rank, significant differences were confirmed in both the mean number of words ($p = 0,012$) and pages ($p = 0,003$) used. Nevertheless, this is not the case with the number of questions addressed ($p = 0,2343$). This last result is consistent with the test performed in H3, since there does not seem to be a strategy related to the preference of the experts for responding different types of questions.

The significant differences in the number of words and pages appear when we compare professional firms and the other participants. In addition, those firms employed significantly fewer pages and words than professional bodies and regulators. There are also significant differences in the number of pages used by academics, compared to those used by professional bodies and regulators.

Table 6. Length of 2013 Comment letters

	Words				Pages				Questions			
	<i>mean</i>	<i>std. dv.</i>	<i>min</i>	<i>max.</i>	<i>mean</i>	<i>std. dv.</i>	<i>mi</i>	<i>max.</i>	<i>mean</i>	<i>std. dv.</i>	<i>min</i>	<i>max.</i>
Profess.Bd.	661,57	354,42	112	- 1526	11,38	5,93	3	37	6,67	0,87	2	7
Profess. Sv.	502,69	406,31	17	- 1969	8,63	2,56	2	17	6,30	1,33	1	7
Regulators	717,95	415,03	226	- 1492	9,84	3,10	7	20	6,63	0,68	5	7
Academics	615,25	412,90	46	- 1539	8,10	1,37	5	12	5,85	1,84	2	7

H5. Kruskal-Wallis one-way rank: $p = 0,012^{**}$ $p = 0,003^{***}$ $p = 0,2343$

Mann-Whitney for Pairwise differences between groups

	Professional Services	Regulators	Academics	Professional Services	Regulators	Academics
Professional Bodies	0,004 ***	0,801	0,391	0,002 ***	0,440	0,008 ***
Professional Services		0,018 **	0,232		0,061 *	0,759
Regulators			0,267			0,054 **

Finally, table 7 indicates the type of arguments used to respond to the questions studied (**H6**). Although, according to the X^2 test, the differences are not statistically significant ($p = 0,605$), the data allow us to point out that the arguments used by the expert lobbyists have a common and widespread interest in laying the conceptual foundations of IR. The strategy of positioning their views as experts is to highlight their knowledge and experience, moving for now the discussion on possible economic consequences, of greater interest for preparers and investors, to a further debate. We note, however, that during this phase of formulation, comment letters sent by experts pointed out some economic concerns associated with the costs and the burden related to the implementation of IR as an additional report, even if it is only a question of adapting existing reports to the proposed principles and content elements.

Some studies argue that the introduction of the IR approach affects economic disclosures as a consequence of the IR's new stance of including economic, social and environmental dimensions (e.g., Makiwane & Padia, 2013; Baboukardos & Rimmel, 2016). We find evidence that during the consultation, economic arguments related to the cost of IR implementation received greater attention than concerns about the impact that disclosing information according to the IIRF basis can bring about the results of companies.

Table 7. Nature of the arguments

	Professional Bodies		Professional Services		Regulators		Academics		Total	
Conceptual	231	75%	321	76%	93	74%	88	75%	733	75%
Economic	4	1%	3	1%	1	1%	2	2%	10	1%
Both	6	2%	7	2%	2	2%	6	5%	21	2%
No arguments	66	22%	92	22%	29	23%	22	19%	209	21%
Total	307		423		125		118		973	

H6. Pearson $X^2= 7,3059$; $p = 0,60$

CONCLUSIONS

While academic literature has focused so far, primarily on studying lobbying behaviors around the production of financial standards, our research is framed in the ideas of Giddens on strategic conduct and expert knowledge (1984, 1990), so as to provide an alternative perspective from which to analyze the differentiated behaviors of expert lobbyists before a standard-setter. This approach also contributes to existing research with new insights regarding the first public consultations on IR.

This approach is not as limited as the PAT or EDT and allows us to analyze the characteristics of lobbying by a subset of participants, the so-called experts- i.e., professionals, regulators and academics. The knowledge and strategic position of these lobbyists make the standard-setter particularly susceptible to its influence, while the behaviors observable from this perspective help us to identify some lobbying patterns different from those traditionally documented in the literature.

The IR focuses on the concept of sustainable value creation that should reconcile the interests of a public especially concerned about financial information with the broad expectations of all stakeholders. The particular institutional nature of the IIRF and the varied number of actors in society, involved in the future of these standards, demand the understanding of the political and social nature of the due process around the IR concept, which is still evolving.

Our results allow us to conclude that professionals (service firms and bodies) had an active participation in both periods under study, surpassing the preparers group who usually has the first place in lobbying processes related to financial standards. However, professional service firms behave differently from professional bodies and their individual levels of participation are similar to that of preparers and providers of financial capital.

In spite of having its origin in the profession, service firms and professional bodies present different strategies and positions. Service firms also observe a different behavior of the one of regulators and in some cases, of the academy. Additionally, their opinions, the intensity of their responses, and the extension of their letters, present differentiated patterns vis-à-vis the rest of expert lobbyists. While professional bodies behave as collegiate representatives who look after the duty of the profession, service firms align with their own interests and views.

As for the regulators, their comment letters are the longest in number of words and have the second place in number of pages. In spite of their tendency to respond all aspects studied here, in question 17 that introduces a controversial aspect about the responsibility of the government in the framework, these participants showed the greatest reluctance to respond, possibly due to the normative implications of this question.

In addition to being one of the groups with the lowest number of comment letters, academics have the lowest rate of response to each question. Their most active participation is in those issues that require conceptual elaboration, as is the case of the definitions of capital and materiality, while in areas where more practical experience may be required, their response rate is below the rest of expert lobbyists.

Overall, this content analysis of the comment letters shows that professional bodies, regulators and academics present positions and strategies more aligned with each other than with service firms. This sub-set of participants used the IIRC due process as an opportunity to expose publicly their position as experts and guarantors of the quality and probity of the first integrated reporting foundations.

Comment letters were not used simply as voting mechanisms. Constituents used them to intervene in the orientation of the IIRF. We find, for example, that some experts did so to draw attention to the current IIRF objective and the IR concept, to suggest changes in wording, to point out conceptual and technical weaknesses, to notice economic consequences related to costs of its application, to request additional guidelines, or to call into question the coexistence of IR principles with other standards and legislations.

The expert knowledge, experience, as well as the global perspective, wide geographical distribution and range of activity (Oprisor, 2014) of professionals, regulators and academics provide these groups with a strategically located position before the IIRC, not only as pressure groups, but as experts in standardization. Besides their participation as constituents of the IIRF and the IIRC, several firms and bodies belonging to these groups have also taken an active part within the IIRC, as they form part of their governing bodies and working groups.

Future research can extend this study performing a comparative content analysis between experts and the other constituents, in order to contrast the distinction of the participants as regards behavior and influence.

Finally, this research contributes to the academic literature on standardization processes, expanding the panorama towards non-financial information and the social and political conception of the lobbying activity.

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Notes:

ⁱ Participation consisting of written submissions, position papers, questionnaire responses and being part as a member of the standard-setting board are channels used in formal lobbying (Jorissen, *et al.*, 2012).

ⁱⁱ As evidence of the validity of due process, two consultations related to IR were conducted in 2016: the non-binding guidelines on a methodology for reporting non-financial information, proposed by the European Commission (2016), and the King IV code of IoDSA (2016). The King IV consultation, in addition to hosting new developments in governance and regulation, aims to facilitate the adoption of King III principles among non-listed companies in South Africa (e.g., non-profit organizations, public entities and non-listed private companies).

ⁱⁱⁱ Although the form disposed by the IIRC to fill out the questionnaire had a box to identify the type of respondent; we had to catalog every letter, since a large number of participants did not use it or chose an inaccurate category.