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THE EFFECT OF CORPORATE GOVERNANCE ON THE QUALITY OF INTEGRATED REPORTING

MERT SARIOĞLU

THESIS ADVISOR: ASSIST. PROF. (PHD) MUSTAFA GÜROL DURAK

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We certify that, as the jury, we have read this thesis and that in our opinion it is fully adequate, in scope and in quality, as a thesis for the degree of the Doctor of Philosophy.

Jury Members:	**Signature:**
Assist. Prof. (PhD) Mustafa Gürol DURAK Yaşar University	....
Assist. Prof. (PhD) Ece ACAR Yaşar University	....
Assist. Prof. (PhD) Ahmet CAMCI Yaşar University	....
Prof. (PhD) Ali Fatih DALKILIÇ Dokuz Eylül University	....
Assoc. Prof. (PhD) Burak ÖZDOĞAN Celal Bayar University	....

Prof. (PhD) Yücel ÖZTÜRKOĞLU

Director of the Graduate School

ABSTRACT

THE EFFECT OF CORPORATE GOVERNANCE ON THE QUALITY OF INTEGRATED REPORTING

Sarıoğlu, Mert

PHD, Business Administration

Advisor: Assist. Prof. (PhD) Mustafa Gürol Durak

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Corporate governance structure is considered as one of the most vital approaches to cope with new problems and conditions by means of its mechanisms. Besides, corporate reporting is considered as a tool of corporate governance in order to deal with information asymmetry. The common view is that improving information quality is essential to alleviate the negative effect of information asymmetry. This is possible through the effect of board of directors and audit committee. On the other hand, the consideration of a set of standards and frameworks is a critical contributor to reporting quality. Integrated Reporting (IR) practice is the newly emerging and the most popular form of corporate reporting practice in today's conditions. In this context, it is believed that corporate governance mechanisms are a noteworthy determinant of IR quality. Also, embracing the IR Framework is essential to meet and increase quality standards. In this perspective, the main aim of this study is to address to what extent quality standards are met through IR practice, and to test the effect of corporate governance on IR quality. In order to answer the research questions, this study is based on quantitative research design and 135 sample size. The results indicate that quality standards are met through the consideration of IR Framework in a complete manner as well as there is evidence that corporate governance has an impact on IR quality.

Keywords: corporate governance, integrated reporting (IR), integrated reporting quality

ÖZ

KURUMSAL YÖNETİMİN ENTEGRE RAPORLAMA KALİTESİ ÜZERİNE OLAN ETKİSİ

Sarıoğlu, Mert
Doktora Tezi, İşletme (İngilizce)
Danışman: Dr. Öğr. Üyesi Mustafa Gürol Durak
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Kurumsal yönetim yapısı, mekanizmaları aracılığıyla yeni sorunlarla ve koşullarla başa çıkmak için en hayati yaklaşımlardan biri olarak kabul edilmektedir. Ayrıca kurumsal raporlama, bilgi asimetrisi ile başa çıkmak için kurumsal yönetimin bir aracı olarak kabul edilmektedir. Ortak görüş, bilgi kalitesinin artırılmasının bilgi asimetrisinin olumsuz etkisini hafifletmek için gerekli olduğu yönündedir. Bu da yönetim kurulunun ve denetim komitesinin etkisi ile mümkündür. Bunun yanı sıra, bir dizi standart ve çerçevenin dikkate alınması da raporlama kalitesine kritik bir katkı sağlamaktadır. Entegre Raporlama (ER) uygulaması günümüz koşullarında kurumsal raporlama uygulamasının yeni ortaya çıkan ve en popüler biçimidir. Bu bağlamda kurumsal yönetim mekanizmalarının ER kalitesinin önemli bir belirleyicisi olduğuna inanılmaktadır. Ayrıca kalite standartlarının karşılanması ve artırılması için entegre raporlama çerçevesinin benimsenmesi gerekmektedir. Bu perspektifte bu çalışmanın temel amacı kalite standartlarının ER uygulamaları aracılığıyla ne ölçüde karşılandığını ele almak ve kurumsal yönetimin ER kalitesi üzerindeki etkisini test etmektir. Araştırma sorularını cevaplamak için bu çalışma nicel araştırma tasarımına ve 135 örneklem büyüklüğüne dayanmaktadır. Sonuçlar kalite standartlarının ER çerçevesinin eksiksiz bir şekilde dikkate alınarak karşılandığını ve kurumsal yönetimin ER kalitesi üzerinde etkisi olduğunu gösteren kanıtlar bulunduğunu göstermektedir.

Anahtar Kelimeler: kurumsal yönetim, entegre raporlama (ER), entegre raporlama kalitesi

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Mert SARIOĞLU
İzmir, 2022

TEXT OF OATH

I declare and honestly confirm that my study, titled "THE EFFECT OF CORPORATE GOVERNANCE ON THE QUALITY OF INTEGRATED REPORTING" and presented as a PhD Thesis, has been written without applying to any assistance inconsistent with scientific ethics and traditions. I declare, to the best of my knowledge and belief, that all content and ideas drawn directly or indirectly from external sources are indicated in the text and listed in the list of references.

Mert SARIOĞLU
22.08.2022

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SYMBOLS AND ABBREVIATIONS

ABBREVIATIONS:

COVID-19	Coronavirus disease 2019
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IoDSA	Institute of Directors of Southern Africa
IR	Integrated Reporting
OECD	Organizational for Economic Co-operation and Development
SMEs	Small and Medium Sized Enterprises
U.S. GAAP	The Generally Accepted Accounting Principles

SYMBOLS:

β	Standardized Beta Coefficients.
P	P Value.
R^2	Adjusted R Square.
r	Pearson Correlation

CHAPTER 1
INTRODUCTION

The various concepts and practices have been experienced by corporations, firms in varying size as well as by shareholders and stakeholders for years. It means that the nature of business environment has been changing continuously. On the other hand, corporate governance has been a part of business environment for years, even if it was not in today's current form. During this period, the significant problems, challenges, new trends and approaches have been emerged. Furthermore, the most of corporations have started to expand their operations to new areas, which has been considered as the effect of globalization. However, it is inevitable that new problems will arise along with growing in size and in different markets. In this context, financial reporting scandals, frauds, environmental damages and administrative problems have been experienced lately. The common view indicates that the separation of ownership and control has been the leading reason behind those problems (Becht et al., 2002; Elhabib, 2015). In addition, it can be stated that the information asymmetry and agency costs lies behind the most significant factors in regard to the emergence of these problems. From this point of view, it is addressed that the lack of governance approach leads to complex situations. In the light of agency theory, corporate governance should be indicated as the most preferable governance approach to deal with a number of problems, and the most essentially information asymmetry and agency costs (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983; Florackis, 2008). In this context, the solutions of a great variety of problems are associated with governance approach, which is embraced by corporations. This governance approach which is expected to be corporate governance have noteworthy mechanisms and tools to do so.

Corporate reporting practice has been one of the major tool of corporate governance, which has been applied in different forms for years. Accordingly, corporate reporting is known as a way to report business related information periodically on a mandatory or voluntary basis (Bushman et al., 2004b). In the view of corporate governance structure, the main aim of corporate reporting practice is to be a communication tool, which enables to report essential information regarding to business activities, financial activities, policies, governance structure and so on (Deegan and Unerman, 2006; Healy and Palepu, 2001; Wood, 2010; Eccles and Krzus, 2010a; OECD, 2015). In other saying, corporate reporting can be called a bridge between internal and external environment of business. Besides, the various types of corporate reporting practices are existed in accordance with the needs of reporting entities and users of information. Therefore, in today's business environment, 3 main forms of corporate reporting practice have been considered, which are financial reporting, sustainability reporting, and integrated reporting (IR). Financial reporting practice has been mandatory and major reporting practice of corporations and various firms for years. Accordingly, the reporting activities are the significant part of corporate governance, which is based on reporting financial information for the benefits of shareholders and related users of information (Bushman and Smith, 2004a; Eccles and Spiesshofer, 2015). Primarily, the interest of investors are mainly met through financial reports (Simnett and Huggins, 2015). However, the conditions of business environment, which have always been changed, have resulted in emergence of new reporting approaches. As it is noted that stakeholders have demanded supplementary information regarding on nonfinancial aspects of reporting entities (Eccles and Sarafeim, 2011; Ioannou and Serafeim, 2015; Velte and Stawinoga, 2016; Ioana and Petru, 2017; Hoque, 2017). Therefore, the ignorance of the interests and demands of other stakeholders in financial reports has brought new approaches together, which have been the leading force behind non-financial reporting practices. The non-financial information have been reported on the basis of different forms such as environmental reports, corporate social responsibility reports and sustainability reports and so on. However, the consideration of various types of report leads to emergence of new problems and confusions. Accordingly, financial and non-financial reporting practices are failed to highlight the relationship between financial, environmental, social and governance matters (Eccles and Krzus, 2010a; IIRC, 2011; Robertson and Samy, 2015; Ioana and Petru, 2017; Suttipun and Bomlai, 2019). This is the most considerable reason that shows the necessity of establishing a connection between the financial and non-financial information. Furthermore, the complexity of information and length of various reports have been the points that are criticized (IIRC, 2011; Eccles and Saltzman, 2011; de Villers et al., 2014). These reasons indicate that the reporting entities need for a new reporting approach, which should be based on integration of information. Accordingly, this approach is known as IR as a new form of corporate reporting practice.

Basically, IR practice is a way to create a link between financial and non-financial information as it is demanded by users of information. In line with the main aim of corporate reporting practice, IR practice is based on an approach that helps to communicate to various stakeholders in order to tell value creation story of business. Therefore, the essential information are reported for the benefits of users of information, which consist of information about financial activities, strategy, governance and performance (IIRC, 2013; Vitolla and Raimo, 2018). Moreover, IR goes beyond the current approaches in the matter of integrating various information concisely and effectively (Eccles and Krzus, 2010b; Eccles and Saltzman, 2011; Baron 2014; Stent and Dowler, 2015; IoDSA, 2016; Hoque, 2017; Melloni et al, 2017). In addition, a holistic view is provided by means of integrated thinking as a part of IR, which is the basis of explaining financial information, strategies, intentions, governance, sustainability, business model, capitals, business outlook, risks, opportunities, performance and so on (Druckman and Freis, 2010; Jensen and Berg, 2012; IIRC, 2013a; Churet and Eccles, 2014; Hughen et al., 2014; ACCA, 2018). These are regarded as the some reasons behind why IR practice has been started to be the most preferable reporting approach.

In terms of reporting practices, information quality have been notable consideration. As it is believed that considerations of set of standards and framework can improve reporting quality. Accordingly, a set of standards and frameworks should be considered in reporting practices so as to improve information quality (ACCA, 2018). Therefore, the negative effect of information asymmetry are expected to be alleviated (Diamond and Verrecchia, 1991; Daske et al., 2008). Concerning financial and non-financial reporting, IFRS and GRI has been critical contributor in the matter of providing principles and framework. In this respect, the consideration of IR Framework is believed to be a factor that leads to improve IR quality, but to what extent? Also, there can be some other determinants of reporting quality. Information asymmetry have been addressed as the most remarkable problem so far. Accordingly, in the light of agency theory, information quality are the major criteria of financial reporting practice, which should be met to deal with information asymmetry (Diamond and Verrecchia, 1991; Druckman and Freis, 2010; Eccles and Saltzman, 2011; Baron, 2014; OECD, 2015; Armstrong et al., 2016). Besides, as it is noted that financial and non-financial reporting practices have emerged to deal with information asymmetry (Healy and Palepu, 2001; Dey, 2008; Armstrong et al., 2016). In this context, it is believed that there is a relationship between corporate governance and reporting quality on the basis agency theory. On the other hand, the ongoing discussions since Berle and Means (1932) have pointed out the importance of different bodies of corporations, which are also known as mechanisms to deal with problems (Jensen and Meckling, 1976; Fama and Jensen, 1983; Cadbury Report, 1992; Shleifer and Vishny, 1997; Maher and Anderson, 1999; Banks, 2004). Therefore, corporate governance mechanisms are expected to increase information quality.

Corporate governance has many different internal and external mechanisms. The roles that are taken by the board of directors help to deal with agency problems (Fama and Jensen, 1983; Bathala and Rao, 1995; Healy and Palepu, 2001; Carter et al., 2003, Florackis, 2008). Accordingly, the board of directors are believed to be one of mechanisms that contribute to the reporting practices. In this context, the board of directors have a role to manage and regulate relationship between agent and principals considering financial and non-financial information (Gray et al., 1987; Brennan and Solomon, 2008; Bushman and Smith, 2001; Healy and Palepu, 2001; Lorenzo et al., 2009). In this relationship, it is believed that the board of directors have a role to deal with information asymmetry by means of increasing information quality. Apart from this, audit committee is another part of corporate governance mechanisms, which takes a significant role in point of monitoring activities and reporting information. Therefore, audit committee helps to increase information quality in both financial and non-financial reporting practice (Abbott et al., 2000; Ho and Wong, 2001; Barako et al., 2006; Lary and Taylor, 2012). Consequently, IR practice is one of new and critical approach in today’s business environment. In the view of agency theory perspective, it is believed that IR quality can be increased through the contributions of corporate governance mechanisms. Within different mechanisms, board of directors and audit committee stands out more than other mechanisms. Accordingly, the main questions have been emerged in the light of agency theory and related literature, which are going to be research questions of this study.

Corporate governance and IR quality are the key building blocks of this study. Accordingly, IR quality, and the effect of corporate governance on IR quality is intended to be addressed in this study. Therefore, the research questions of this study are,

1. To what extent the quality standards are met through integrated reporting practice?
2. What is the effect of corporate governance on integrated reporting quality?

The main motivation behind the consideration of these research questions is that there were no studies revealing the effect of corporate governance on IR quality on the basis of the effect of board of directors and audit committee. However, during the development process of this study, two studies were tested the effect of corporate governance on IR quality, which were based on different hypothesis concerning board of directors. Accordingly, both the positive (Vitolla et al., 2020a) and mixed results were reported (Pistoni et al., 2022). In this context, this study has been vitally significant to point out whether board of directors' mechanism has an impact on IR quality or not. In addition, audit committee is another integral part of corporate governance mechanisms in which its effect on IR quality has not been addressed yet. Accordingly, these are substantial factors which are going to be part of this study to highlight different perspectives and to contribute literature. Besides, IR Framework consists of 3 main parts, which should be considered in a complete manner (IIRC, 2013). However, the previous studies show that the different elements of IR Framework have been considered in the matter of measuring IR quality (e.g. Pistoni et al., 2018; Agustia et al., 2020; Songini et al., 2022). Therefore, 3 parts of IR Framework have not been considered yet in measuring IR quality. To meet quality standards, IR Framework should be considered entirely within all its aspects. Accordingly, one of the main motivations behind this study is to develop a scoring method, which is going to be built on each fundamental concept, guiding principle and content element of IR framework. In this respect, scoring method is going to be beneficial to answer both the first and second research questions. Also, scoring method and sample size of this study allows to make comparison between various industries in terms of IR quality. This comparison has not been made yet to show if IR quality vary in relation to industries. These are the most important points that differ this study from others in point of taking IR Framework into account as a whole, developing its own scoring method, and highlighting different aspects. Moreover, this study is interested in drawing a meaningful picture regarding corporate governance, corporate reporting, IR and IR quality. In the existing literature, no studies have been taken these subjects into consideration on the basis of their association simultaneously. In this context, there are interconnection between main chapters of this study. In the light of main motivations of this study, 5 main objectives are issued as well, which should be achieved to reach results. To do so, the main objectives of study is; 1) to develop a scoring method that measures IR quality concerning IR Framework completely; 2) to reveal the what extent quality standards are met through IR practice and 3) to compare IR quality of reporting entities from different industries in this context; 4) to document effect of corporate governance on IR quality concerning the effect of board of directors and audit committee; and lastly 5) to contribute literature and reporting entities. In order to achieve objectives and to answer research questions, 135 integrated reports are going to be analyzed and measured by means of scoring method that is adapted. Accordingly, this study is built on quantitative research design in which results are going to be explained by descriptive statistics and multiple regression analysis.

In conclusion, this study is grounded on 8 main chapters in order to achieve its objectives and to reach the most appropriate results. Therefore, the main subjects of this study are going to be addressed in the Chapter 2; Chapter 3; and Chapter 4, which are Corporate Governance, Corporate Reporting, and Integrated Reporting. Subsequently, Theoretical Background and Hypotheses Development are going to be issued in the Chapter 5. Later, Research Methodology, and Results of Data Analysis and Discussions are going to be covered in the Chapter 6 and Chapter 7. Eventually, this study is going to be concluded in the Chapter 8.

CHAPTER 2
CORPORATE GOVERNANCE

In a world in which the conditions constantly alter, each organization, individual and government should be prepared against every single changes. The advancements, innovations, social and environmental events, and many unexpected situations should be considered in order to maintain their existence. Accordingly, Coronavirus disease 2019 (COVID-19) which can be remarked as the most significant example directly affects our entire lives. Given today's conditions, COVID-19 is still considered as one of the most prominent agendas, which clearly shows how the existing conditions have been altered with the new ones. Also, new conditions that have arisen in this context must be adapted. On the other hand, since the first Industrial Revolution, many different changes and progressions have been made in the business environment, and today the Industry 4.0 has been accepted as the new era by corporations and other type of organizations (Qin et al., 2016). Besides, efforts on balancing shareholders' and stakeholders' interests; financial crises, corporate scandals; environmental issues; sustainability, accountability, transparency; new reporting practices can be underlined as the most critical considerations and problems. In terms of any profit or non-profit organizations, it has been crucial to comply with these new conditions, advancements, trends. Also, problems should be coped with to meet expectations of stakeholders and to reach goals. Accordingly, it is obvious that major roles and responsibilities are undertaken by corporations in relation to keep their existence against the business environment (Sasty, 2010; Hsieh, 2017). Corporations are located at the heart of economies of nations in today's business environment. Therefore, new conditions and challenges that have arisen should be the main considerations of both small and medium sized enterprises (SMEs) and corporations. Beyond the financial and economic perspectives, SMEs and corporations have responsibilities against society and environment, which are directly related with non-financial obligations. According to Serafeim (2014), a great number of interests has been shown by companies to combine social and environmental policies with the logic behind their business model.

Besides financial information, it is also added that in line with the stakeholders' interest, reporting of non-financial information have been significant practices. Accordingly, corporations are considered as the substantial part of the competitive business environment. Without any doubts, all these new conditions should be adapted and problems should be dealt with by corporations, which is possible through building a well-established mechanisms. These mechanisms are known as "corporate governance".

Corporate governance is one of the most important pillars of this study as an independent variable, which helps to provide better understanding on Integrated Reporting (IR). Also, IR practice, which is a dependent variable of this study, has been considered as a new corporate reporting approach. Nowadays, it is possible to access more and more integrated reports, and IR has been embraced by an increasing number of corporations, which reveals the importance of topic. IR informs about financial and non-financial aspects of any business, which also integrates the main drivers of business's activities into a single reports (Stent and Dowler, 2015; IIRC, 2013; Pistoni et al., 2018). Especially, in addition to financial results, the non-financial outcomes have been considered as the key determinants by stakeholders in their decision making process (Sarkis et al., 2010). For this reason, it is asserted that the quality of IR should be the most critical matter to inform stakeholders and shareholders on financial and nonfinancial activities. Also, quality is believed to be related with the establishment of corporate governance mechanisms in a proper manner. Accordingly, as it is going to be revealed in the subsequent chapters that corporate governance has direct and indirect effects on various significant subjects and corporate reporting practices. Accordingly, the quality of IR is expected to be among one of these factors which is affected by corporate governance regime.

This is the second chapter of the study which intends to cover significant aspects of corporate governance and its mechanisms in order to provide better understanding. This chapter is structured in 3 main sections. Initially, the corporate governance within the related literature is going to be reviewed, which encompasses the emergence of corporate governance during history, the different perspectives on the definition of corporate governance, and the roles of corporate governance. Secondly, the basic principles of corporate governance is going to be outlined. Lastly, the corporate governance's mechanisms are going to be covered as the major subject of this study to test its effect on IR quality.

2.1. Corporate Governance in the Literature

In the business literature, many different terms, concepts and practices have been existed and debated for years, which have been familiar for business environment as the days go by. Corporate governance has been among one of these terms, which has been addressed in the business environment and literature for years. Considering the today's business world, corporate governance is believed to be a critical adaptation to provide holistic view on all business related matters to create values (Cooray et al., 2020). For this reason, corporate governance is embraced by most of corporations, in which the logic of corporate governance can also be adapted as a driving force behind SMEs and other size businesses. Therefore, it can be stated that corporate governance is one of the most consistent way to carry out business and to achieve the determined goals. In the light of the main idea of this study, providing high quality integrated reports should be the most important consideration or goal of corporate governance as well. In spite of the reputation of corporate governance and its mechanisms as the best way to create the best business environment where the things work well, the point of view of different academics and related literature should be taken into account. Corporate governance, which is among the most debated subjects within business literature, has been the basic consideration of various studies, academics and books within different perspectives. As it will be mentioned in the following lines that corporate governance has evolved during its history in line with the needs of business environment. Also, many different interpretations and evaluations have been made in the related literature. Accordingly, the brief history of corporate governance, the different views on its definition, and the main roles will be issued.

2.1.1. The Emergence of Corporate Governance

Corporate governance has been one of the most discussed topics for decades in terms of business literature and business environment by academics, governments, organizations, regulators, and shareholders. In the view of the prior literature, no definite point has been indicated as to when the first time corporate governance was mentioned. The Financial Aspects of Corporate Governance (1992), which is known as the Cadbury Report, has been accepted as the most crucial milestone in the development of corporate governance until today's perceptions. According to this report, corporate governance has been with us for longer than it is expected.

During the history, each nation, kingdom and reign had its own way to rule their country, and also today's governments abide by rules, laws, policies, procedures, so as to govern their countries. On the other hand, any size of company has been preferable to be managed in a systematic way depending on rules, laws, policies, and procedures for years. According to this point of view, a similarity can be noted between how the nations or states and corporations or different size of companies are governed, which could lead to the emergence of main idea behind corporate governance. Moreover, this similarity fits with the definition of corporate governance that is made by Gillan and Starks (1998). As noted in their study that laws, rules and factors are critical concerns to manage and run operations within a company. Despite the fact that the emergence of corporate governance could be based on this analogy, the changing needs of business environment has always been the fundamental aspects that should be considered.

From the point of business environment, new problems and challenges have precisely led to the development of new approaches. These can be the reasons that bring the need for corporate governance to the fore. According to Wells (2010), the story of corporate governance began when the conflicts of interest were caused some problems between principals and investors as a consequence of the corporate form of companies. In this manner, it is addressed that corporate governance has been a part of business literature since the first companies were formed, such as East Indian Company, Hudson's Bay Company, Levant Company and so on in the 16th and 17th centuries. Besides, in the view of current literature, it is noted that the root of corporate governance dates back to the well-known book of Adam Smith "The Wealth of Nations". The main problem, which was appeared between managers and investors in relation with the existence of corporate form of companies, was likewise the same one that was emphasized by Adam Smith (1776). Apparently, a dilemma has been arisen within the corporate form of business, which restrict operations of business inefficiently. 156 years later, the Smith's considerations were addressed by Berle and Means (1932) who highlighted same problem and led it to be popularized, which is known in today's literature as agency problem. In their study, the main conflict within the corporate structure is taken into account with respect to the separation of ownership and control (Berle and Means, 1932). Even though the separation of ownership and control has been main the motivation and leading point behind the improvement of corporate governance concept until today, it was not named as “corporate governance” till the study of Richard Eells in 1960. Starting from this point, the growing interest on the term corporate governance has started to increase its reputation in business environment, and the progressions have been made on the subjects. In the following years, the problem was named as agency problem first time, which was theorized as agency theory and various approaches were discussed by Jensen and Meckling in 1976. The agency relationship is clearly defined, and how the agency theory is going to deal with problems and agency costs are addressed as the most significant part of their study. After that the different perspectives on the subject and solutions were offered by Fama (1980), and by Fama and Jensen (1983; 1985). As inferred in line with these studies that the problem is related with the separation of corporate ownership and control, which is an outcome of lack of corporate governance mechanisms. This lies behind why managers consider their own interests rather than the interest of shareholders. In this manner, a foremost role is played by corporate governance mechanisms, which reveals the importance of this study as well.

The history of corporate governance and the evolution of this concept traces back to crisis, financial scandals, and administrative problems as well. In the view of the past incidents in the business world, it can be noted that The United States has been among the leading countries to contribute corporate governance concept. The Securities Act of 1933, and Securities Exchange Act of 1934, Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes Oxley Act of 2002 have been one of the most important milestones in connection with implementing the regulations for corporate governance and contributing its evolution (Altıntaş, 2010). Furthermore, the scandals like Enron and WorldCom show how the agents consider their own interest against the interest of shareholders. In this respect, agents might be interested in committing frauds, manipulating and causing information asymmetry. In the USA and in the UK, banking and loan crisis in 1970s and 1980s, and financial reporting scandals in 1980s were all resulted in the collapse of the most companies. Besides, all these events led to the loss of trust on financial information which were reported by companies. The deficiency of well-established corporate governance mechanisms were the same reasons behind the problems and the failure of companies respectively. Corporate scandals, financial reporting scandals and other problems within the corporate structure are all related with the weak governance structure, which awakening the awareness on corporate governance (Agrawal and Chadha, 2005; Kumari and Pattanayak, 2014). In this sense, balancing the interest of various groups, which are located around the internal and external environment of business, should be an approach to take into consideration. Accordingly, the importance of corporate boards and its independency has been the focal points as well as reforms have been made in the matter of developing the best practices, codes and principles for corporate governance (Iskander and Chamlou, 2000). In other words, it is possible to create the best business environment by taking the common and accepted governance structure into account, which is called as corporate governance. Due to the globalization of today’s companies and business environment, corporate governance has been the subject that has been mostly discussed in one country to another regarding what is the best and worst practices. These problems and conflicts in the corporate structure have been regarded as the major reasons why the concentration on this topic has been increasing day by day. In this context, it has been one of the most vital requirements to prepare a guide on corporate governance in order to explain codes, principles, approaches, and what the best practice is. Accordingly, the first report was published in the UK in 1992 on corporate governance to clarify the significant issues, which is known as Cadbury Report (also named as Financial Aspects of Corporate Governance). The main purpose is to emphasize on the essence of good corporate governance mechanisms and to explain how to increase corporate governance’s standards, and to regain trust that was lost in financial reporting and auditing (Cadbury Report, 1992). All these matters and more were pointed out comprehensively for the first time that is why the Cadbury Report is the most significant milestone in the history of corporate governance as it stated before. Subsequently, the different contributions have been made, but the UK has become one of the leading countries since they have been more attentive than others in respect of the advancement of corporate governance. In this regard, in 1995 Greenbury Report, in 1998 Combined Code, in 1999 Turnbull Report, and in 2003 Higgs Report were published in the UK. These reports mainly focused on evolution of corporate governance in different perspectives, which were critical to develop policy and codes for the best practice, and to pay attention on protecting shareholders interest against managers (Brenna and Atkins, 2008). In addition, in the South Africa, the King Report was published in 1994 and was revised in 2016 as King IV in accordance with the needs of business world, which is listed among reputable reports. The main aim of that report is to make recommendations on the best corporate governance practices to make it main approach in order to run a company, provide holistic view on the concepts, increase reporting standards, and broaden the acceptance of report in the business environment (IoDSA, 2016). Despite these improvements on corporate governance, a commonly accepted framework and guideline was not formed till the meeting of Organizational for Economic Co-operation and Development (OECD) in 1999 (Maher and Andersson, 1999). In 1998, OECD called its council for meeting in order to increase awareness on the significance of corporate governance, and accordingly standards and guidelines were shaped to implement the best corporate governance practice. OECD is the most respectful organization for both the member and non-member countries, which have supported companies and countries on various subjects. Corporate governance which is among one of these subjects has been contributed by OECD since 1999. OECD leads companies to embrace the best corporate governance practice by means of principles, procedures and frameworks that have been addressed and updated. In this manner, OECD has contributed to business environment with its publications, which have become the most prestigious guidelines on the related issues and should be on the agenda of companies.

Corporate governance have emerged on account of conflicts between managers and shareholders, corporate failures, crisis and some other administrative problems, which has involved in business literature as one of the major themes. However, along with the new situations that have arisen, it has not been a stationary topic, having been revised throughout its history. In the 21st century, the landscape of business environment has started to change in accordance with the fundamental changes in technology, politics, policies, environmental concerns, new emerging trends of society and so on. In addition, today's corporations, which have more responsibilities when they are compared to the corporations of the previous centuries', are larger and globalized than they were earlier. For this reason, the more responsibilities have been taken by corporations in terms of financial governance as well as non-financial governance since the societal and environmental factors have become among the most critical concerns of today's business world (Suttipun and Bomlai, 2019).

Correspondingly, the role of corporations have shifted to satisfy the needs of society and different stakeholders, and non-financial activities have been part of board meetings and corporate governance relatively. Conforming to the new roles that have been undertaken, the study of OECD (2015) on corporate governance is addressed that economic, social, environmental, ethical concerns, trust, transparency, and accountability are issued as the significant components and principles of corporate governance. Furthermore, a number of challenges have arisen owing to COVID-19 which affects today's business environment. As it is highlighted by OECD (2021) that a critical role has been taken by corporate governance in the matter of dealing COVID-19 crisis as well. In this respect, a factbook was published by OECD in 2021, and corporate governance was revised in order to highlight the changing landscapes of business environment, and to emphasize the importance of corporate governance. In a word, under these situations, corporations should act in an organized manner to be successful from top to bottom while the changing conditions of world has been integrated into business model, which is possible through putting corporate governance on the agenda. Surprisingly, both financial and non-financial information, and other issues on governance stand out as the most major parts of IR, which need to be reported to all stakeholders. Additionally, all these issues are associated with corporate governance as well. The historical evaluation of corporate governance reveals how it is essential for any corporations and different size companies. Thereupon, it is expected that corporate governance affects IR and the quality of this approach, which is going to be found out in the following chapters.

2.1.2. The Perspectives on the Definition of Corporate Governance

Business environment has changed over the years in consonance with the new tendencies in social, political, environmental, and economic issues. A number of new terms have been discussed within the business literature for decades. Corporate governance which has become one of those has evolved considerably. However, what does the corporate governance exactly stand for? As mentioned in the previous lines that in terms of corporations, various changes and modifications have been made to meet the demands of business environment. Accordingly, no single definition has made on corporate governance, which has been defined by academics and organizations in different perspectives depending on the conditions of business environment. Therefore, the views on corporate governance will be covered respectively.

For the first time, the term corporate governance was mentioned by Eells in 1960. This term was indicated to draw attention on “the structure and functioning of the corporate polity” (Eells, 1960:108). With respect to concerning this definition, it is inferred that it should be one of the most critical question within corporations about how they are structured and functioned effectively in order to reach goals and objectives. This definition stresses the importance of board and management level also. However, at that time the questions were still unanswered about how the best practice would be. In those days, this definition, which was made on this new term, was simply sufficient to bring to mind an idea about what corporate governance was and what the critical aspects of corporations were. However, as will be showed in the subsequent definitions that corporate governance was expressed in a narrow sense in that definition. Besides, each country can approach the problems, emerging trends and changes in different manner owing to the differences in their culture, ethics, governance system, policies, and procedures and so on. In this point, two different perspectives on the corporate governance has been accepted in the literature as traditional view (shareholder based) and stakeholder based view, which are also called Anglo American model (Insider System) and Continental European model (Outsider System)(La Porta et al., 1998; Maher and Andersson, 1999; Aguilera and Jackson, 2003; Garcia-Castro et al., 2008). Taking this as a reference, a classification can be made on how to approach that subject, which is centered on shareholder or stakeholder as the main focus point. In the view of those different perspectives, corporate governance is going to be explained flowingly.

2.1.2.1. The Traditional View on Corporate Governance

In the globalized business environment, corporations have started to operate in the international areas and many different market places. By doing so, their businesses have grown and more responsibilities have been taken, which have led them to face with potential complexity. In this context, laws, rules, policies and procedures of the countries, in which corporation operates, should be considered. For example, after the frauds in the USA, new laws, regulations and rules were declared by government and Security Exchange Commission. Moreover, certain laws, policies, structures and rules, which are determined by corporations, should be complied by the internal environment of business, which helps them to facilitate the control over their operations. Accordingly, corporate governance is defined "as the system of laws, rules, and factors that helps control operations at a company" (Gillan and Starks, 1998:4). An important aspect of corporate governance is shown by this definition, which is an essential approach to run any companies in an organized and a systematic way. On the other hand, corporations have taken their present form by joining us centuries ago. In the today's world, corporation are especially the driving force behind economies of countries. Undoubtedly, it has been one of the most crucial issues for years how they have been governed. As a pillar of traditional view, the significance of the governance of corporations were put forward likewise by Cadbury Report. In the business literature, Cadbury Report (1992) is referred to as the beginning point of corporate governance. Committee on the Financial Aspects of Corporate Governance was chaired by Sir Adrian Cadbury, and Cadbury Report was issued in 1992. In this regard, corporate governance is stated as "the system by which companies are directed and controlled" (Cadbury Report, 1992:15). This definition is indicated as the basis of traditional view on corporate governance, which touches on the significance of good management and control to meet expectations of shareholders. Also, in this report, the principles, roles of board and its structure, reporting practice, auditing and shareholders are covered, which helps to implement the best practice, as the most important components of corporate governance. Additionally, it is indicated that board of directors, who is in charge of running business activities, is one of the most vital mechanisms of corporate governance. The board of directors, and auditors (who monitor and check the financial activities of the board of directors and reporting practices) are assigned by shareholders to satisfy their needs and expectations. In this system, it is specified that a mediating role is undertaken by the board of directors. Furthermore, agents, who are appointed by board of directors, are known as the important players of the mechanism in assuring to maximize the economic interest of shareholders. From the perspective of traditional view, as a matter of fact that corporate governance considers the benefits of shareholders entirely within the corporations in which agents take actions in line with shareholders' interests (Parkinson, 1993; John and Senbet, 1998). In other words, it is a mechanism that protects the investments of principals against agents or insiders as result of agency problem (Shleifer and Vishny, 1997). Corporate governance dates back to the emergence of problems between agents and principals, which is named separation of ownership and control, and agency problem then. As it stated before that the problem is related to the corporate form that is created. Under these situations, it would not be unusual to expect shareholders to protect their self-interests, which is possible through taking corporate governance mechanism into account. Hence, finding solutions to agency problem and protecting the benefits of shareholders are expected to be the underlying reasons in traditional view. This is the reason of why it is also known as the shareholder based approach of corporate governance as well. The shareholder based perspective of corporate governance is covered as a fundamental approach by the Cadbury Report in 1992, the Greenbury Report in 1992, the Combined Code in 1998, and the Higgs Report in 2003. All these reports, which was publish to contribute the advancements of corporate governance, made a point of safeguarding the interests of shareholders. Besides, a number of participants within the corporate governance mechanisms make an effort to meet the needs of shareholders. According to Monks and Minow (1995), corporate governance is referring to as a way to build and strengthen the relationship between participants, such as employees, managers, chief executives, board of directors and shareholders, which makes it easy to specify the directions and performances of corporations. In fact, a corporate environment has existed around the corporations where they have various participants. Therefore, not only the interest of shareholders, but also the benefits of other participants should be the main consideration of corporations and corporate governance as well. Some criticism on the shareholder based view has been made in this manner. In the following years, it is indicated that corporate governance is built on mechanisms, which assist to assure whether the agents run operations or not in harmony with benefits of stakeholders (Fidrmuc et al., 2006). At that point, corporate governance has started to diverge from traditional view. Contrary to traditional perspective, the stakeholders have started to be the main focus point, which leads to redefine corporate governance in the end.

2.1.2.1. The Stakeholder Based View on Corporate Governance

In today's business environment, since many actors have located around the corporations or any size companies, it has not been a suitable approach to ignore the benefits of corporate environment, in other saying the stakeholders. In the corporate environment, whoever has a close or distant relationship with the operations and activities of business, should be accepted as a part of corporations or any type organizations. Except the shareholders and managers, as it is known that many actors, such as suppliers, producers, customers, creditors might have direct or indirect effects on the business's activities. Accordingly, in the Stanford Research Institute in 1963, the term “stakeholders” was mentioned to refer other participants of organizations or corporations. Eventually, stakeholders have been started to use in the literature as a new term, which refers “any group or individual who can affect or is affected by the achievement of the organization's objectives” (Freeman, 1984:40). The widespread focus on stakeholder based view has also enriched the definition of corporate governance in a positive manner. The characteristic of good governance means the protection of interests of stakeholders (Banks, 2004). In brief, rather than focusing on only the one half of corporations like in the traditional view, it is a more appropriate approach to pay attention on protecting the interests of every stakeholders. In this context, a momentum has gained towards the stakeholder-based perspective in corporate governance (Brennan and Atkins, 2008), and especially after the stakeholder theory of Richard Edward Freeman in 1984. As a result, stakeholders have been within the scope of business literature as a new term, and the frontiers of corporate governance and its mechanisms have been broadening in many different perspectives by centering stakeholder based view.

In the business environment, the different roles have been played by different stakeholders, but the common point is that they all contribute to the success of business. As noted in the literature that the profitability and sustainability, which should be one of the main considerations of any size companies, is achieved through the collaboration with different stakeholders, and importantly how this association is governed (Freeman, 1984; Donaldson and Preston, 1995; Aguilera and Jackson, 2003). However, within this collaboration, the benefits of stakeholders should be represented as well. It is not as easy as it seems to fulfill the expectations of stakeholders while considering the interest of shareholders and managers as well as managing and monitoring business activities and the relationship between multiple participants. At that point, as the behalf of the all participants, the importance of the role of managers should be recognized by themselves and by the board of directors as well. According to stakeholder based view, managers should be responsible to align the interests of every stakeholders against shareholders even if the returns of financial providers are decreased (Smith, 2003). For a number of reasons, stakeholders should be located at the center of corporate governance, which is required to be successful and to reach goals and objectives. Correspondingly, Sir Adrian Cadbury, who has been well-known for his contributions to corporate governance and business literature, restated the definitions of corporate governance. In 2000, *"Corporate Governance:A Framework for Implementation"* was published by World Bank to contribute to the development of the subject. This report was prepared by Iskander and Chamlou in which a foreword was penned by Sir Adrian Cadbury. In this foreword (Iskander and Chamlou, 2000), it is stated that corporate governance is an approach to keep stability between economic and social desires as well as between personal and communal desires. Afterwards, it is noted by him that resources are used efficiently and accountability are achieved by taking corporate governance framework into account, which goal is to meet the expectations of individuals, corporations and society. In other words, by following framework and establishing good governance mechanisms, a number of problems that have appeared for years regarding separation of ownership and control can be handled. In brief, all stakeholders can be satisfied remarkably.

Since the first definition of Cadbury that was made on shareholder based view, efforts have been made to adapt the changing conditions of business environment to corporate governance. Subsequently, in 2008, Cadbury joined the advisory board of OECD, and his ideas have been a reference for OECD's studies. The studies of OECD on corporate governance can be accepted as another important milestone to extend related literature. As defined by the last version of OECD that "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders" (OECD, 2015:9). The definition of OECD is plainly stated what corporate governance is and how it should work. OECD has been the critical contributor on corporate governance since 1999, to the extent which cannot be ignored. In order to manage and strengthen the relationship between stakeholders, a set of principles, rules and procedures have been declared, which are the pillar of corporate governance. Particularly, the principles of corporate governance, which are issued by OECD in 2015, are stated as the essence of creating the best business environment in the matter of ensuring the relationships between all stakeholders. Moreover, Institute of Directors of Southern Africa (also known as IoDSA) published King I, King II, King III and King IV reports on corporate governance. It has been another prominent contributor to corporate governance since 1994 to emphasize the best codes and standards, and to make recommendations on the subject. It is mentioned by King report III that corporate governance is a method to put structures and processes in place which come along with supervising and aligning the interests of all participants other than principals only (IoDSA, 2009). In the recent literature, leadership stands out among the important terms, which is also addressed by corporate governance. As pointed out that the executives and boards of directors should be the ethical and effective leaders to reach goals and objectives (IoDSA, 2016). This is significant in terms of managing relations and protecting benefits of both shareholders and stakeholders. Stakeholder based view which is the basis of King Reports as well define corporate governance in this way. In addition, integrated thinking and integrated reporting are the topics that are covered by these reports as a part of corporate governance. Accordingly, a relationship between corporate governance and integrated reporting can be stated in the view of King Reports, which is the main concentration of this study as well.

In conclusion, it is said that the definition of corporate governance has been extended since the stakeholders have been the most major actors around corporations. The basic differences between shareholder based perspectives and stakeholder based perspectives have been indicated in this part of the study. No superiority of one approach to another one has been reported yet, but stakeholder based view sounds more popular and appropriate way to meet the expectations of today’s business environment, which is likewise shown in the recent definition of the respected organizations and academics. While corporate governance is narrowly stated by shareholder based view in only solving the problems between principal and agents, stakeholder based view is more inclusive. On the other hand, the main intention of this study is to clarify the effect of corporate governance on the quality of IR. As indicated by Eccles and Krzus (2010a), the main motivation behind IR is to provide information which are necessary to maximize shareholders’ returns and to move in a direction to meet needs of every stakeholders. Briefly, this purpose of IR may sound familiar in the matter of meeting the priority of both shareholder and stakeholder based approaches of corporate governance. Simply, the basis of the association between corporate governance and IR is revealed in the sentences above, which is critical to support the main aim of this study.

2.1.3. The Roles of Corporate Governance

The emergence of corporate governance throughout the history, and the different perspectives on the subject have been discussed in the previous lines. A number of ideas come to mind about what roles are undertaken by corporate governance and why it is important in the light of those sections. According to Becht et al. (2002) and Elhabib (2015), there are some reasons behind why the different roles have been undertaken by corporate governance. These major reasons are outlined below;

- Privatization of corporations in the world and separation of ownership and control,
- Accessing new capitals and marketplaces,
- Growth in different markets and in firm size,
- The need for performance improvement,
- Asian financial crisis in 1998,
- Corporate scandals, frauds and environmental damages.

Accordingly, the foremost roles of corporate governance and some other significant aspects are going to be covered in this section of the study.

Since the appearance of the first corporations, the business environment has evolved and changed depending on various circumstance. It is impossible not to be affected by all these developments and changes that have taken place in the business world. In this respect, corporate governance which has been crucial term in the business literature has many different roles. As the name of corporate governance suggests that it is mainly about how corporations or any size companies should be governed. Managers and shareholders are considered as the critical actors within the corporations, but later on some problems have arisen between them. Manager (agents) are appointed to be behalf of shareholders (principals) to run business activities and to maximize the returns of shareholders successfully. However, since the formation of modern corporations, the control mechanism is mostly captured by managers, which brings about the separation of ownership and control. Also, the weakness in the governance structures allow agents to have power on business activities, which lead agents to protect their self-interests against others. Without the knowledge of providers of financial capital, the capitals can be used by managers to satisfy their self-interests. Then, one of the most significant questions is started to be asked about the benefits of one who is responsible to manage and control of business activities might diverge from the benefits of one who provides financial capitals. This question has been discussed for years in the business literature which is known as agency problem (Smith, 1776; Berle and Means, 1932; Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983). This is resulted in the creation of the negative business environment, which is due to the lack of well-established governance structure. Accordingly, the possible conflicts of interest between agents and principals, and also between shareholders and stakeholders are eliminated or cut down by embracing corporate governance (Goergen, 2012; Goergen et al., 2012). Moreover, the differences in the interests of participants can lead another problem, which reveals a situation where there is a lack of trust between managers and shareholders. It is easier than others to acquire meaningful data by managers in which these data can be used for their self-interests and might lead to conflicts between managers and shareholders correspondingly. To overcome all these circumstances that have been arisen, an important role which is taken by corporate governance is based on building trust, giving incentives and monitoring business activities of internal participants (Jensen and Meckling, 1976; Jensen 1983). In this manner, it is a way to increase the motivation of agents. Therefore, by adapting the corporate governance structure, the trust and control over business is improved as well as the returns of shareholders are maximized and secured (Fama and Jensen, 1983; Maher and Andersson, 1999, World Bank Group, 1999). In other words, the investments of shareholders are protected against the interest of managers. Briefly, corporate governance is accepted as the most appropriate way to take action against the emergence of new problems, and to strengthen relationships between managers and shareholders, which improves the efficiency and effectiveness in the business activities. This role of corporate governance can be specified as the primary one, but the discussions regarding on topic have also revealed that this is not the only role that is taken.

Years ago, corporations were in small scale in comparison with the today's corporations in which they did not have many issues and responsibilities that need to be considered. The sufficient amount of capitals, raw materials and human resources have been the most critical forces behind the business activities for years to meet the expectations and demands of business environment. However, the conditions have been complicated and changed since the first Industrial Revolution. Numerous changes and developments have been occurred from the first Industrial Revolution to today's modern Industrial Revolution (also known as Industry 4.0.) in regard to technological, political, regulatory, production, and economic areas (Jensen, 1993; Qin et al., 2016). On the other hand, the alterations have been observed in the trends and demands of society and business environment. In today's globalized business world, corporations and other size companies have started to appear and operate in the international market place for many reasons. For example, to increase sales and profitability, to merger and acquisition, to access capitals, labors, raw materials, new customers, and to meet the expectations and various demands. In a nutshell, the frontiers of corporations or other type of companies have been expanded into several geographical regions of world in order to sustain their existence. However, these actions of corporations are likely to end up with having new participants in both the internal and external environment, and facing with new cultures, procedures, legal systems and so on. Due to the globalization, and growth of corporations and their business activities, the complexity has been increased within the corporations (Elhabib et al., 2015). As emphasized that the transparency of corporation is also restricted under the complexity as a consequence of the regional extension and growth of corporations, which brings about recognizing the need for corporate governance (Bushman et al., 2004a). All these matters are closely related with the governance practices, which should be taken into account as a part of mechanisms of corporate governance to protect different layers of management and stakeholders. One of the key functions of corporate governance is to build mechanisms that process in association with the changing or new conditions of business environment (e.g. market conditions, procedures, regulations, cultural and societal values), which helps to compete in different market places, minimize risks and deal with complexity (Iskander and Chamlou, 2000). On the other hand, in today's business world, it is one of the goals of each corporation to achieve productivity and profitability in various market places. The changing or new conditions in those market places in which corporations operates might affect their financial goal as well. The consideration of corporate governance is the best way to deal with different conditions, which also has a critical role to help to accomplish financial goals of corporations in both the domestic and international area. In the market place, some of the goals can be listed as reducing cost to reach capitals, accessing capital markets, achieving capital allocation, and building trust with the providers of financial capitals. Accordingly, by embracing the structure of corporate governance, the cost of capital is diminished, the capital market is easily accessed, the interests of principals and other participants are preserved, and the integrity and reputation is improved (OECD, 2015; IoDSA, 2016). These are significant to attract new financial capital's providers and to achieve financial goals. By so doing, the performance of business is going to be improved as well which is a prominent reason for the existence of corporations.

The business's performance which has an influence on a number of critical issues are decisive and substantial drivers for the existence of corporations and its sustainability. Since the corporate governance has been regarded as the key approach in the literature, a relationship between corporate governance and business performance has been addressed. As emphasized by Claessens (2003) that the well-functioning corporate governance mechanisms are determinants of the performance of business, which means that leads to increase in the equity returns, market valuation, profits and sales. In this sense, one of the reasons behind good business performance is linked with the how well corporate governance mechanisms are built. Otherwise, the absence or weakness in governance structure gives rise to another major problems which might lead the creation of negative business environment. It is noted that the poor performance and dissatisfaction of stakeholders respectively are related with the poor corporate governance (O'Regan and Oster, 2005), which also results in low returns on equity and low market value (Klapper and Love, 2004; Giroud and Mueller, 2011). These are the factors that determine the level competiveness as well. Besides, IR shows the set of important information that can affect the performance of corporations. IR and integrated thinking is the main force behind the competitiveness, which helps to improve business's performance financially and returns of principals are maximized respectively (Churet and Eccles, 2014). Simply put, the performance of business which is critical for many reasons is achieved through corporate governance, and the increases in the quality of IR thanks to corporate governance practice may help to meet with better business performances.

During the last decades, new financial reporting scandals, frauds, administrative problems and environmental damages have still been experienced, even though the evidences have shown that corporate governance should be the vital part of corporations considering its effects on many critical issues. Enron, WorldCom, Well Fargo, BP deep-water horizon oil, Xerox, Toshiba accounting fraud and Volkswagen emission scandal can be stated among some of the remarkable examples, which caused corporations to lose their reputations, and ultimately to bankrupt or collapse. According to Banks (2004), the root of these problems and scandals arose from the unethical behaviors of insiders, weakness in boards’ structure, inattentiveness of managers, lack of control mechanisms, and failure in balancing the interests of stakeholders. These can be indicated as the attributes of the poor governance structure or mechanisms. Accordingly, all these recent events reflect the fragility or deficiency in corporate governance and its mechanisms as well (Brennan and Atkins, 2008; Kumari and Pattanayak, 2014; Elhabib et al., 2015). Considering these events, corporations should be aware of causes that can endanger their existences. Certainly, more attention should be paid to create the best governance structure and environment through corporate governance practices. Besides, in connection with the nature of governance structure of corporations, as stated before that the managers can access more information than stakeholders and shareholders on assets, investments and financial issues, which are confidential and non-public. In the literature, it is known as information asymmetry (Klein et al., 2002; Brown and Hillegeist, 2007). These actions of insiders, in order to protect their self-interest, may lead to financial reporting scandals. Hence, it is indicated by Agrawal and Chadha (2005) that financial reporting scandals are the indicator of the inadequacy of corporate governance practices. The consideration of efficient and effective governance structure plays a role to avoid corporations from deviating from their purposes both internally and externally. Regarding on this matter, adaptation of corporate governance enables to enhance control over the business activities of insiders through its mechanisms, which is critical to the prevention of frauds and scandals (IoDSA, 2016). In this context, role of the well-functioning corporate governance mechanism is to manage information asymmetry through making progress in the quality of reporting practices and transparency (Al-Najjar and Abed, 2014; El-Bassiouny et al., 2018; Vitolla et al., 2020a). This allows to state a relationship between corporate governance and reporting practices and its quality. The essential information are disclosed by corporations in a mandatory and voluntary manner to inform and to satisfy the needs of shareholders and stakeholders. IR is an important tool to do so as it will be revealed in the subsequent chapters, which informs each participant on all kind of business activities.

Accordingly, it is expected that corporate governance mechanisms can affect the quality of IR in the view of previous paragraphs.

As noted previously that agents are in charge of meeting the expectations of shareholders financially. However, the good governance should not be only about focusing the collaborations between principals and agents to satisfy self-benefits of both parties, but also concentrating on satisfying the needs of each stakeholder in financial and non-financial manner under the corporate governance structure. In this perspective, the role of corporate governance is to create a business environment where the managers willingly meet the expectations of every stakeholder in order to create a value (Jansson, 2005). However, the expectations and demands have been started to vary in line with the changing and new circumstances, which bring additional responsibilities to corporations and manager. Therefore, the interests of both external and internal environment of business should be considered. In this respect, the importance of economic, environmental, and social issues have been recognized by corporations and stakeholders (Elkington, 2002; Suttipun and Bomlai, 2019), which have effects on the business activities (Lozano, 2008). It is stated that corporations who are supposed to be socially responsible in their actions should pay attention to meet expectations of society (Maher and Andersson, 1999), which is the main role of corporate governance to constitute this environment in order to be accountable to the society (Solomon, 2007). That is the reason of why corporate governance is defined as a way of balancing the interests of business environment as a whole. In addition, according to Elkington (2002; 2004), sustainability has started to be the most notable term. The awareness of corporation on sustainability has been a key measurement for stakeholders in their decision making process. In this regard, it is expected by stakeholders that corporations should be transparent and accountable on all these matters that fall into the scope of corporate governance. Accordingly, the pivotal role of corporate governance is to raise standards and quality of the voluntary disclosure practices (Ajinkya et al., 2005). It is demanded by stakeholders to be informed by both mandatory and voluntary reporting practices to access more information and to make their decision making process more efficient and effective. IR combines all necessary information together for the use of business environment in which it is believed to be a significant reporting tool. From this point of view, the quality of IR is one of the main themes of this study that needs to be discovered.

Apart from the major roles of corporate governance that are stated above, it is also possible to meet with a number of different roles that are undertaken within the related literature. These days COVID-19 has deeply affected the business activities of corporations and other size companies. Corporate governance has played a role to protect corporations against the effects of COVID-19 thanks to the well-established structure and support of OECD (OECD, 2021). There are many critical aspects behind to comply with the corporate governance mindset, which concludes in forming the best business environment. In the end, the benefit and accomplishment of corporation is to create an ethical culture, and to improve the business's performance, controlling and monitoring, and legitimacy (IoDSA, 2016). At the first glance, it seems that the function of corporate governance is only to deal with conflicts of interest between principals and agents, but the various roles are undertaken. Under the review of related literature that has been conducted so far, it is believed that corporate governance and its mechanisms are concerned as an actor to improve the quality of IR. This relationship is going to be clarified in the following chapters.

2.2. The Principles of Corporate Governance

The dynamic outlook of business environment has been one of the most critical predictor on many important issues for years in terms of corporations and other size companies. The performance, success and existence of business depends on which degree the new situations are embraced by corporations as well. Under these circumstances, corporations should conform to corporate governance, so as to ensure about success in long run and be competitive in the marketplace. As stated that corporate governance is one of the most vital approach for plenty of reasons, which has been indicated in the previous section through the roles that have been taken. However, no unique example has been given on the matter of how the best governance should be and what the underlying elements are to underpin governance practice. Accordingly, in order to apply the best practice and to constitute the best business environment and culture, corporations might be in need of searching for guidelines, rules, procedures and importantly principles. In this respect, the principles and mechanisms can be specified among the major components of corporate governance, and in this context the set of principles have been started to put in place to contribute corporations and related literature.

Corporate governance has already been adopted by a great number of corporations for years, but the most significant point is that the implementation of the well-suited and good governance practice. It is believed that principles are key elements to do so which are the basis of corporate governance. As expressed by OECD (1999; 2015), the principles, which are available to use of every corporations and countries in order to provide common insight on the subject, make an effort to promote the best corporate governance practices. In addition, corporations should abide by set of principles that are existed to regulate and facilitate numerous significant issues. With reference to OECD (2015), the reasons behind why the principles are needful for good corporate governance, are going to be summarized in the table below (see Table 2.1.).

Table 2.1. The Need for Principles to Form Good Corporate Governance

The need for principles is to
• develop the legal and regulatory framework,
• create a governance structure that is easily accessible, comprehensible, and comparable,
• consider both financial and non-financial aspects,
• pay attention on the benefits of every shareholders and stakeholders,
• determine goals and objectives and to monitor business activities,
• be succeeded in economic goals and to increase business's performance.

The table 2.1. has demonstrated that there are some factors which are the ground of principles in order to encourage corporations for the creation of good corporate governance practices. Therefore, the principles are indicated as the most significant guide for corporations that help to build the best governance structure and to achieve goals and reach outcomes in the end (IoDSA, 2016). By doing so, the manageability of business activities can be improved, which leads to an increase in the quality of corporate governance practice. Briefly, the principles are the essence of corporate governance that should be embraced by corporations, which build a better structure to deal with different situations and problems. However, what should be the principles of good corporate governance? This question had been unanswered till the Cadbury Report in 1992. In this regard, the set of principles have been developed since the

Cadbury Report, by different organizations to create a common and accepted business language, which are applicable, easily understandable, and comparable from one to another.

Cadbury Report, which is accepted as the milestone of the corporate governance literature, emphasized the importance of principles first time. Accordingly, the principles should be commonly accepted by all parties, which are defined as openness, integrity and accountability (Cadbury, 1992). In the following years, the different organizations have shown their interests on the corporate governance as well as the determination of its principles. Accordingly, The King Committee was established and met in 1994 to discover the different aspects of corporate governance, and to contribute the subject in South Africa. Since 1994, the different reports, which are known as "*King Report on Corporate Governance*" were published in accordance with the changing conditions of business environment. In King III Report (IoDSA, 2009), 75 principles are covered, which are based on "apply or explain" approach, and applicable to all corporations or any size companies. However, in 2016, King IV Report was published to revise previous report. In this report, the number of principles decreased to 17, which focus on the governing body and address what should they do for good corporate governance practices (IoDSA, 2016). Also, King Report IV differs from King III Report, which is based on "apply and explain" approach, and a guideline is provided about how the principles should be applied by other types of companies, SMEs and organizations. These are indicated as the important point in increasing transparency and applicability of corporate governance practices. Apart from these contributions, OECD has always been one of the most critical organizations concerning the interests of companies, countries, governments, economies and societies. The many different topics and problems of business environment, and solutions have been the main interest of OECD, which have been discussed for years with the collaboration of governments, corporations and different organizations. In this sense, OECD was released a guideline to recommend and to contribute for better governance practice. In 1999, the set of principles were specified which named "*OECD Principles of Corporate Governance*". The principles that are pointed out by OECD are regarded as the fundamental principles of corporate governance, which helps to form a good governance structure (Maher and Andersson, 1999). In the view of the report of OECD (1999), 5 main principles are issued to contribute to business environment. In the following years, the study of OECD was revised in 2004 and in 2015 to fulfill the changing needs of corporate environment. Accordingly, the last report of OECD that was published in 2015 was covered 6 core principles of corporate governance. These are listed below;

1) Ensuring the basis for an effective corporate governance framework,
2) The rights and equitable treatment of shareholders and key ownership functions,
3) Institutional investors, stock markets, and other intermediaries,
4) The role of stakeholders,
5) Disclosure and transparency,
6) The responsibilities of the board (OECD, 2015; 11).

In the view of the list above, it is inferred that the principles of OECD are mainly built on the effectiveness, fairness, accountability, collaboration, transparency and responsibility. OECD's principles are the most important guideline for the good corporate governance practices, which are the way of achieving both financial and non-financial goals of business. Furthermore, the set of new principles continue to be announced by organizations in the recent literature. For example, leadership, effectiveness, accountability, remuneration, relationship with shareholders are the principles that are issued by Financial Reporting Council (FRC, 2016). In addition, the King Report IV are stated that integrity, competence, responsibility, accountability, fairness, and transparency are the basis of principles (IoDSA, 2016). On the other hand, as seen in the previous lines that some principles have been commonly covered by OECD and by other organizations as well. For this reason, some principles of corporate governance are widely accepted within the literature, which can called universal principles. The basic principles are stated as "fairness, accountability, responsibility, and transparency" (IoDSA, 2009; 2016; Iskander and Chamlou, 2000), which are main pillars of corporate governance practice.

2.2.1. Fairness

Corporations or other type of business have a direct or an indirect relationship with many different shareholders and stakeholders. It is expected that the shareholders and stakeholders should be equally treated by business. Fairness refers to be honest and abide by rules, procedures, standards and laws in order to lead the better business activities and collaborations with business environment, which is critical for social justice, protecting nature and next generations as well (IoDSA, 2009; 2016). Also, the different kind of resources, capitals, labors are used by corporations in their business activities. Accordingly, the treatment of sources should be equal and rational, which is critical in terms of both internal and external environment of business (IoDSA, 2016). In a word, fairness is about being ethical and fair in business activities, which is the most prominent consideration for good corporate governance to be sure about protecting the rights and meeting the expectations of shareholders, stakeholders and society.

2.2.2. Accountability

Within the corporations, various business activities are taken place, which also should be expressed and disclosed to inform business environment. In this sense, corporations should communicate with shareholders and stakeholders, and to answer their questions about the business activities to provide better understanding on numerous cases. Therefore, the board should present a fair, balanced and understandable assessment of the company's position and prospects (FRC, 2016:16). In addition, according to IoDSA (2016), reporting practices and disclosure of business activities are regarded as a way to be sure about accountability. At this point, it can be stated that corporate governance can be a factor that affects the quality of reporting practices as well as the quality of IR. Briefly, corporations should be aware that they are responsible for every actions that are taken, which results in being accountable in their actions against the business environment.

2.2.3. Responsibility

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises (OECD, 2015:36). In this sense, there are number of responsibilities, and good corporate governance practice requires to be responsible in the actions of business both financially and non-financially. Many internal actors which are existed in the corporations have different roles and responsibilities. In the Cadbury Report (1992), the responsibilities of internal participants have been determined, which are crucial to run business in line with the interests of corporate environment, rules, laws and values of society. Also, it is believed that responsibility is one of the most important steps to be accountable.

2.2.4. Transparency

In today's business world, transparency is the most familiar word for many reasons. Corporations have a huge number of business activities for which they should be responsible, accountable and transparent against. Accordingly, each stakeholder and shareholder should be informed regarding on financial issues, performance of business, governance and many other notable issues by means of reporting practices in a timely, adequately and completely manner (Iskander and Chamlou, 2000; OECD, 2015). In this regard, the essential information, which are financial and non-financial, should be disclosed and accessible in line with the transparency principle. This principle are significant in terms of the users of information to contribute their decision making process about the outlook of corporations. IR is an approach to show necessary information, which moves in the direction with the transparency principle of corporate governance. Accordingly, the possible effects of corporate governance on the quality of IR can be stated in this perspective as well.

As indicated in this section of the study that many different organizations and academics have contributed to the development of the principles of corporate governance and the implementation of these principles. These principles also lead to behave ethical and fair in the business activities of corporations to build good corporate governance practice. Initially, it is expected that one of the priorities of the corporations should be taken the principles into account in order to build the best governance practices and to create the best business environment. By doing so, it is believed that the quality of IR can increase as well.

2.3. The Mechanisms of Corporate Governance

This is one of the most vital parts of the study that intends to reveal which aspects of corporate governance have a great deal of influence on various subjects and especially quality of reporting practices and IR. The findings within the related literature have indicated that the answer is related to the mechanisms of corporate governance, which is going to be covered subsequently.

The corporate governance might seem as a complex structure from the outside because of covering wide range of issues, but it is necessary to create the best business environment internally and externally. As stated in the preceding paragraphs that corporate governance have many different roles to facilitate business activities and to regulate business environment. However, the roles, which are determined within the corporations, are not as simple as to be performed by an actor alone. As regards the most basic definition that has been mentioned before, corporate governance is interested in how corporations are managed and controlled (Cadbury Report, 1992), which should be in connection with different participants as well (Monks and Minow, 1995). In other words, it means how corporations are governed under the combinations of different mechanisms (Shleifer and Vishny, 1997). Accordingly, corporate governance is defined to be as a process, structure, system as well as it is also broadly preferred to be called mechanisms. Under the corporate governance mechanisms, a variety of actions has been undertaken and performed by different actors to deal with numerous issues, and to run business activities and operations. In a word, mechanisms, which can be indicated as the most crucial and indispensable component, put everything into actions depending on rules, policies, procedures, principles, goals and objectives that are determined.

The set of standards, principles and well-established mechanisms, which are essential components of corporate governance, must be considered completely by corporations to be successful (World Bank Group, 1999). Among these components, mechanisms stand out one step further for many reasons. To put it first, one of the most accepted guideline, which was published by OECD (2015), pointed out the usefulness and necessity of different mechanisms, which lead to improve overall governance quality. Therefore, it can be claimed that corporate governance has mechanisms to achieve goals and objectives, in which it has the different layers in line with the interests of different stakeholders, such as principals, employees, suppliers, customers and so on. Besides, prior studies have drawn attention on the significance of corporate governance mechanisms, which have demonstrated the different features and roles. Actually, some of these roles, which have been issued in the previous parts, are directly undertaken by different mechanisms. In this regard, each corporation is expected to enhance their financial performance which is possible to build well-structured governance mechanisms. By means of implementing good governance mechanisms, the returns of shareholders are maximized due to the increases in cash flows and reduction in cost of capital (Fama and Jensen, 1983; Agyemang and Castellini, 2015; Zgarni et al., 2016). In this way, the competitiveness and sustainability of corporations in the marketplace is going to be improved through the contributions of corporate governance mechanisms (Vander, 2009; Aboagye and Otieku, 2010). Furthermore, the overall performance of any size firms or corporations is associated with the number of issues in which corporate governance should be considered to be one of matters. Accordingly, the effects of corporate governance and its mechanisms on the firm performance has been another important point that needs to be explained, which has attracted the attention of many researchers. Some of these studies are focused on the different mechanisms of corporate governance includes board independence, board committees, audit committee, remunerations, shareholder concentration, which have documented that the different internal mechanisms of corporate governance have effects on firm performance as well as financial performance (Maher and Anderson, 1999; Bhagat and Black, 2002; Young et al., 2008; Velnampy, 2013; Bhagat and Bolton, 2013; Kumari and Pattanayak, 2014; Puti and Anlesinya, 2020). Also, the effects of both internal and external mechanisms on performance of corporations are issued by Weir et al., (2002). In the opposite case, the weakness in mechanisms may lead to undesirable consequences, such as frauds, scandals, bankruptcy or collapse of business. The relationship between frauds and corporate governance mechanisms are discussed in the study of Beasley et al. (2000) as well as in this relationship, the corporate failure is addressed by Parker et al. (2002). The different roles of corporate governance and its mechanisms have been highlighted so far both in this section of the study and in the prior paragraphs together with the most critical aspects. As seen that corporate governance mechanisms have effects on various issues, which are the most vital findings concerning the development of this study. However, one of them comes to the fore with regard to the progression of this study, which is the consideration of governance mechanisms as a determinant of the quality of corporate reporting practices as well as IR quality respectively.

In line with the main concentration of this study, the existing literature has documented that corporate governance and its mechanisms have a significant effect on the quality of corporate reporting practices. Agency theory was proposed by Jensen and Meckling (1976) to deal with problems between principals and agents, which results in conflicts of interest regarding the separation in ownership and control. In the lights of previous parts, the problems and the discussions of different organizations and academics have highlighted the significance of transparency and accountability. On the basis of agency theory, transparency is referred to be as a critical element of mechanisms, which is ensured by reporting practices to satisfy expectations of shareholders, and to align the interests of boards and shareholders (Healy et al., 1999; Bushman and Smith, 2001; Healy and Palepu, 2001). Also, it is believed that voluntary reporting practices contribute in the matter of alleviating the effects of conflicts of interest by providing more transparent and accountable business environment. Accordingly, the voluntary reporting quality should be enhanced through the agency of corporate governance mechanisms, which overcomes the conflicts of interest (Beske et al., 2019). Correspondingly, a relationship can be stated between corporate governance mechanisms, corporate reporting practices and quality of information, in which it is based on transparency that arises from agency theory. In this case, the quality of both mandatory and voluntary reporting practices, which has been crucial in terms of internal and external users of information, can be explained through corporate governance mechanisms. As indicated by Byard et al. (2006) that the better corporate governance mechanisms result in improved information quality of financial reporting. Furthermore, corporate governance mechanisms have been regarded as a predictor on the financial reporting quality in different studies (Myring and Shortridge, 2010; Al-Najjar and Abed, 2014; Habib and Jiang, 2015). The quality of reporting practices are frequently explained by internal mechanisms in the most of these studies. On the other hand, the demands have been increasing on searching of extra information about the non-financial activities of corporations, which lead them to provide information about non-financial aspects by voluntary reporting practices, such as sustainability reporting, corporate social responsibility reporting, environmental reporting and IR. In this manner, it is mentioned in the literature that corporate governance mechanisms ensure to improve the quality of voluntary reporting practices (Eng and Mak, 2003; Ajinkya et al., 2005; Beske et al., 2019), such as sustainability reporting (Michelon and Parbonetti, 2012) and environmental reporting (Kathy Rao et al., 2012). Moreover, in accordance with the main idea of this study, the relationship between corporate governance mechanisms and IR has started to be addressed by different studies lately. The different elements of corporate governance and IR quality have been issued in the most recent literature (Cooray et al., 2020; Vitolla et al., 2020a; Songini et al., 2022), but neither the corporate governance, corporate governance mechanisms nor the IR quality have been comprehensively covered yet. Also, the mixed results were documented by those studies. This is one of the reasons of why this study is critical to contribute the existing literature as will be explained in the related chapters. On the other hand, the different mechanisms of corporate governance are considered to test the different effects of internal mechanisms, which includes board independence, audit committee, board size, gender diversity and CEO duality, and so on. From the perspectives of these studies that have been considered up to this stage (e.g. Al-Najjar and Abed, 2014; Habib and Jiang, 2015; Cooray et al., 2020; Vitolla et al., 2020a), it is inferred that internal mechanisms of corporate governance have been put in the agenda in different ways by the most of researchers. However, the well-running corporate governance structure should pay attention on the most essential mechanisms primarily. Also, the corporate governance is not only about the internal mechanisms, which has also external mechanisms.

Corporate governance can be expressed as an umbrella phrase under which different mechanisms are located. In the view of related literature, the mechanisms of corporate governance is divided into two main groups which are internal and external mechanisms (Banks, 2004; Habib and Jiang, 2015). In the light of the definitions and roles that have been mentioned so far, the following figure is designed to demonstrate the scope of corporate governance (see Figure 2.1.)

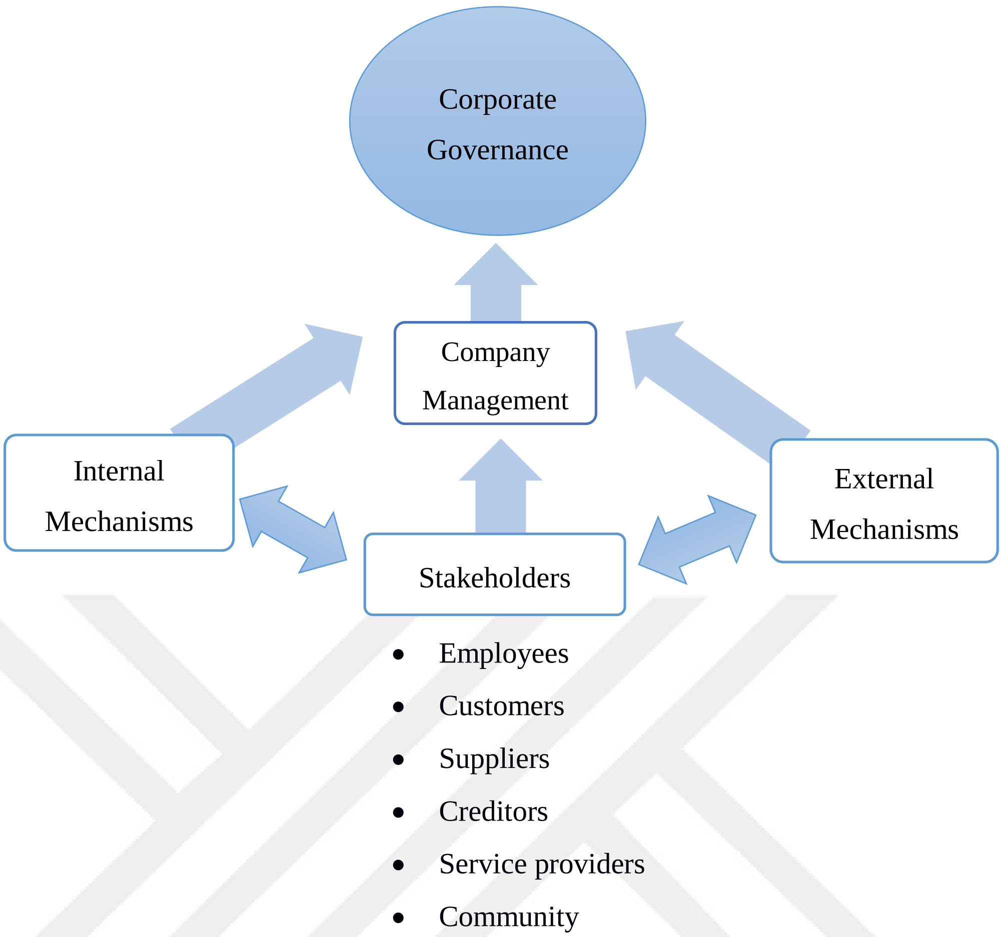

Figure 2.1. The Scope of Corporate Governance

Today's business environment consists of many different actors who affect the operations of corporations directly or indirectly. In the figure 2.1., arrows show the interactions between mechanisms and different actors, which are named stakeholders. Also, company management have a critical roles against corporate environment on the subject of monitoring and accountability (Banks, 2004), which is a reason of why the all arrows converge on the related box in the figure above. Accordingly, management level are precisely responsible to monitor all activities between mechanisms and stakeholders, and to meet the principle of accountability meanwhile. Besides, under the authority of management level, the existence of internal and external mechanisms lead to strengthen relationship between different participants. In a word, as stated by Iskander and Chamlou (2000), the association between internal and external mechanisms, in which they have different roles and responsibilities, constitute the corporate governance regime. Moreover, the various mechanisms are existed under the internal and external mechanisms that effort to align the interests of stakeholders and to create the best corporate environment. The internal and external mechanisms are going to be explained briefly.

2.3.1. Internal Mechanisms of Corporate Governance

Corporate governance consists of two key mechanisms which are named internal and external mechanisms. Each mechanism of corporate governance is significant to run variety of business activities, and to ensure about the existence of corporations and well-being of participants. To begin with the internal mechanisms, it can be stated that internal mechanisms are the center of corporate governance in which everything is put into action. As mentioned before that the different internal mechanisms have been covered by considerable number of studies, which are associated with the important concerns of business environment. Some of elements of the internal mechanisms that are issued by different studies are listed as board size, board diversity, board committees, internal audit, executives (Byard et al., 2006; Al-Najjar and Abed, 2014; Cooray et al., 2020; Vitolla et al., 2020a; Songini et al., 2022). In this context, the different elements of internal mechanisms have been key factors for measuring the impacts of corporate governance on various subjects including IR quality. As revealed by these studies that although the effects of different internal mechanisms have been used as a predictor on many subjects, a minority of studies have considered the essential mechanisms and its elements in common. Therefore, this study is grounded on the basic mechanisms such as board directors and audit committee and its important elements, which are going to be issued as indicators on IR quality. This is going to be issued in hypothesis development section as well.

According to Banks (2004), the core and essential mechanisms are known as the board of directors, executive management, and independent control function, which should supported by code of conduct. In this manner, the manageability of corporation can be improved and the best business environment might be created by integral mechanisms.

- **Board of directors:** The establishment of the board of directors is the most important matter to create well-functioning governance practices and align the interest of different stakeholders, which is located at the heart of corporate governance. The role of board of directors is to define strategy, to set principles and ethical norms, to assure about the controlling and monitoring functions on overall business performance, activities, and internal and external environment, to appoint and monitor CEO and executive managers, and to report to shareholders (Cadbury, 1992; Banks, 2004). Also, as stated by Vitolla et al., (2020a), board of directors have play a considerable role to assure the quality of information and to deal with information asymmetry respectively. In this respect, board of directors are the crucial components of this study to test effects of corporate governance on IR quality.

- **Executive management:** In the corporation, there are a number of key managers who are responsible for the functions of business, such as marketing manager, finance and accounting manager and so on. The different business activities are run by different managers under the supervision of CEO. According to Maassen (1999), directors or managers are also known as agents who should never take self-caring actions, and whose actions should be restricted and monitored by board of directors.
- **Independent internal control:** Corporations should act with the awareness that they are responsible for the results of their actions. In this regard, the various business activities and operations should be monitored and reviewed independently as well. As indicated by Cadbury Report (1992) that the effectiveness of corporate governance is related with how well internal control groups are formed. Accordingly, the different internal control groups are in charge of monitoring, controlling, and reporting the business activities and operations to the managers, CEO, and board of directors. These internal control mechanisms are listed as finance and accounting, risk management, legal and compliance, internal audit, operations and technology (Banks, 2004). Also, as noted by Verschoor (1993), the committees under the board mechanisms such as audit, compensation and nominating have critical roles to increase effectiveness by means of independent members and separate decision mechanism respectively. Also, as noted that the independence of audit committee should be safeguarded by board (IoDSA, 2009). Therefore, audit committee can be regarded as the part of board of directors, even though it is issued as another mechanism of corporate governance. It is believed that among these different groups, auditing is one of the most significant elements in point of this study. Therefore, the independence of audit committee can be regarded as a factor which can be determinant of IR quality.

- **Code of conduct:** As mentioned before that a great deal of business activities are taken place by corporations. In this context, corporations should regulate these different activities by developing some codes. Accordingly, code of conduct is about creating policies, procedures, and ethical norms that helps to deal with conflicts of interest, prevent unethical behaviors, and act equal, fair and honest towards each stakeholders (Banks, 2004). The code of conduct may vary depending on corporations and countries. Also, the concerns on ethical issues may lead to disclose transparent and accurate information, which may contribute to the quality of reporting practices.

In the figure below (see Figure 2.2.), the internal mechanisms of corporate governance is illustrated, which is based on Iskander and Chamlou (2000), and Banks (2004), and it is going to be summarized respectively.

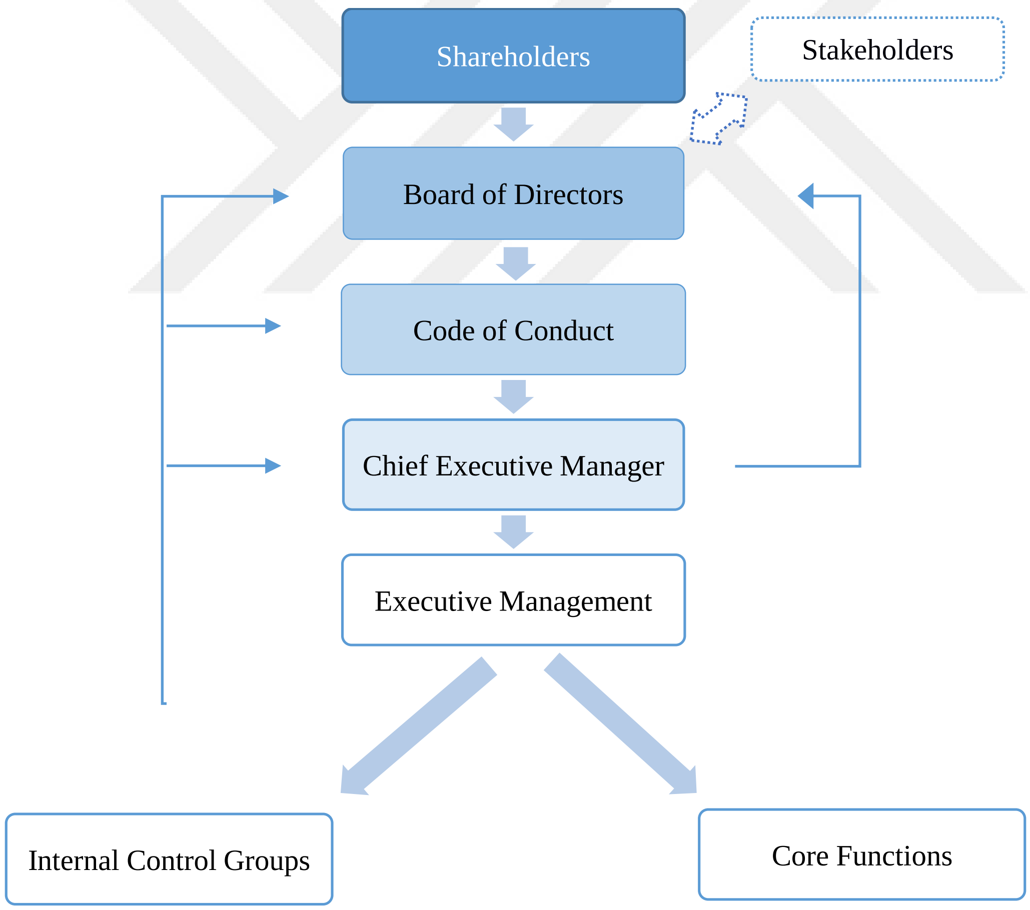

Figure 2.2. The Internal Mechanisms of Corporate Governance

In today's business world, corporate governance is the most effective and efficient way to control and manage business activities, which also ensures accountability and transparency. Corporate governance mechanisms should process efficiently in order to meet the expectations of both internal and external environment as well. In this context, the findings of various studies confirm how important it is that internal mechanisms should be functioned well (Florackis, 2005; Byard et al., 2006; Puti and Anlesinya, 2020; Vitolla et al., 2020a). Regarding on the figure 2.2., the effective internal mechanisms should basically comprise of board of directors, executive management, internal control groups and code of conduct. In this figure above, the shareholders are located at the top of hierarchy whose interests are expected to be satisfied financially. As seen in the definitions that have been made up to this point, internal mechanisms are about managing the set of relationship between shareholders, board of directors, CEO, and different management level. Therefore, this role is achieved successfully by means of well-functioning internal mechanisms as it is addressed in the figure 2.2. Also, this relationship between shareholders and various internal mechanisms are mainly based on traditional view as well as agency theory perspective. However, as stated in the stakeholder based view on corporate governance that the benefits of different stakeholders should be protected as well, which make it possible to consider the stakeholders additionally in that figure above. Accordingly, the interest of shareholders should not be only consideration of internal mechanisms of corporate governance, but also protecting the benefits of different stakeholders should be a critical role that is taken. This is exactly what is advocated in recent studies as it was previously mentioned in the stakeholder based perspective (see section 2.1.2.1.). Going back to the main elements, the board of directors, which is the most critical internal mechanism, is responsible for corporation and appointed on behalf of shareholders. In this manner, the main pillars of a corporation are specified by the board of directors, which are built on a set of principles, rules, policies, business culture, and ethical norms that are called code of conduct. Within the internal mechanisms, chief executive manager, different business units, and internal control groups abide by code of conduct, which is generally determined by the board of directors. In addition, the road map of a corporation is drawn by the board of directors to satisfy the needs of shareholders and different interest groups in both the internal and external environment. Besides, the quality of reporting practices as well as accuracy and transparency of information are critical consideration for the board of directors (Banks, 2004), which is directly supports the main idea of the study in point of considering the board of directors as an indicator to asses IR quality. On the other hand, within the internal mechanisms of corporate governance, the chief executive officer and different managers are assigned to run different business activities and operations considering the strategies, short and long term goals and objectives. Accordingly, the different business units make efforts to put core functions of business into practice, which are known as operation, human resource, marketing, and finance and accounting. Ultimately, the internal mechanisms are supported by internal groups in the matter of making accurate assessments on performance as well as improving controlling and monitoring activities of business. In addition, within the internal mechanisms, internal audit is one of the most important mechanisms in terms of IR quality. As noted by Cohen et al. (2004), audit committee is a critical factor to improve reporting quality, which includes the elements of both internal and external audit. In brief, auditors (or audit committee) contribute to corporate governance regime as a part of mechanism and especially to information quality, which intends to monitor and check different financial and non-financial activities, and to provide better picture on those activities and other important issues.

2.3.2. External Mechanisms of Corporate Governance

Depending on the main idea of this study that has been supported by the findings of different studies, it is believed that the internal mechanisms of corporate governance are more critical indicator than the external mechanisms in order to predict the effect of corporate governance on IR quality. However, the external mechanisms of corporate governance are existed as well, which should be considered by corporations in a complete manner under the corporate governance practices. Accordingly, internal mechanisms should work in cooperation with external mechanisms since the external mechanism has a strong influence on shaping internal business activities. In other words, the external stakeholders have a great number of influences on the elements of internal mechanisms, in which it can be listed as policies, structures, and activities. The wide range of external pressures or mechanisms should be put into the perspectives of the board of directors, which results in being a part of corporate decision making processes (Maassen, 1999). In today’s business environment, some of the significant external mechanisms of corporate governance are issued by Banks (2004), which are mainly specified as regulatory oversight, legal and bankruptcy regimes, capital markets access, corporate control activity, block holder monitoring, activist institutional investor monitoring, external audits, and credit rating. Among these external mechanisms, the regulatory environment, legal system and external audits are regarded as the common elements in the most of countries (Denis and McConnell, 2003; Banks, 2004). As noted by Todd DeZoort, audit committee is the part of corporate governance mechanisms, which fulfills the expectations of investors in protecting their interests as well as the role is taken in monitoring external and internal audit. Although it has been stated that the internal mechanisms are the most crucial for the design of this study, audit committee contains elements of both internal and external mechanism in the matter of monitoring internal and external environments. Accordingly, it is more appropriate to treat them together under the title of audit committee, which is going to be one of the important elements of this study as well.

In conclusion, the main theme of this study is to reveal the effect of corporate governance on IR quality. Accordingly, corporate governance and IR is the basis of this study to reach to the expected results. The second chapter of this study has been covered in point of addressing the most noteworthy elements of corporate governance in a comprehensive manner. In order to provide basic insight on the research questions and to move to the further parts, corporate governance has been addressed in the view of existing literature as well. Accordingly, the history of corporate governance, basic definitions and different views on the subject, roles and scope of corporate governance as well as its principles and mechanisms have been issued as the most essential parts of this chapter. It has been mentioned in the previous parts that corporate governance has been associated with various issues, in which it is addressed as the most appropriate way to create the best business environment. In this point, many different roles are taken under the corporate governance, and the most of studies have pointed out the importance of corporate governance mechanisms so as to deal with number of issues. Accordingly, as one of the most vital components of this study, corporate governance has been reviewed in a complete manner, which is one of the points that distinguishes this study from others. Eventually, it is stated that the consideration of essential internal mechanisms of corporate governance together is the most proper way to test the effect of corporate governance on IR quality. On the other hand, even though some of external pressures may have an effect on internal mechanisms, and IR quality directly or indirectly, in the view of previous studies as it was mentioned, the internal mechanisms are expected to have the greatest impact on IR quality. Accordingly, this idea is going to be theoretically explained and hypothesized in the subsequent chapters concerning the effect of the board of directors and audit committee.

CHAPTER 3
CORPORATE REPORTING

Today's world has been shaped depending on a wide range of conditions, such as new trends of society, regulatory and legal considerations, advancements in technology, emergence of new problems and so on. It has been recognized that many of these conditions, which have shaped our world, have directly or indirectly affected the landscape of business environment as well. As indicated in the previous chapter that experiencing the new conditions, approaches, problems, scandals and frauds have revealed the importance of adopting the corporate governance regime. It has been outlined by prestigious organizations and reports (e.g. World Bank, OECD, IoDSA, Cadbury Report) that corporate governance should be the fundamental approach in terms of corporations so as to create the well-functioning mechanisms and constitute the best business environment. Accordingly, corporate governance has been the main consideration of the most of corporations as well as other size companies. On the other hand, various different components of corporate governance have been issued in the literature, and reporting practices are regarded as one of those. According to Cadbury Report (1992), reporting practices are one of the most critical functions of corporate governance, which are the under responsibility of boards to ensure that the financial activities are reported to investors. In this manner, it is stated that disclosing of the financial outlook of corporations must be the most significant characteristic of corporate governance, which is the basis of corporate reporting practices as well. Although reporting of financial information is the first thing that comes to mind when corporate reporting is mentioned, other approaches have been considered for years. Accordingly, the environment of corporate reporting has likewise been changing and evolving depending on different situations. Nowadays, the considerations of intangible assets together with the financial performance and governance practices have been crucial measurement tool (Alves and Martins, 2014). Therefore, it is believed that intangible assets have effects on the decision making process on both the providers of financial capitals, and internal and external stakeholders. Also, the new emerging situations of today's globalized world, such as scandals, frauds, new demands of stakeholders, and limitations of financial information, which have led to change the perceptions on the non-financial activities of corporations positively (Cleverly et al., 2010; Eccles and Saltzman, 2011; Magnaghi and Aprile, 2014; Hoque, 2017). In compliance with the essentiality of meeting the needs of users of information, new reporting approaches have been introduced for years. In this sense, the attention of business environment has shifted to IR as a newly emerging reporting practice (IoDSA, 2016), which puts the different aspects of various reporting approaches in place at the same time (IIRC, 2013). It means that it is a way of providing information which is grounded on the integration of necessary information basically. Recently, IR has been getting popular in the business environment. The increasing popularity of IR can be observed through the corporations' websites in which the most of published annual reports are in the type of integrated report.

It is believed that good corporate governance is related with in which degree corporate reporting practices are good. Corporate reporting practices consist of financial and non-financial reporting as well as integrated reporting in a mandatory or voluntary basis. This is one of the brief chapter of the study which aims is to provide better understanding on the corporate reporting. Therefore, it is significant part to make IR more understandable by addressing financial and non-financial reporting as the roots of IR. In brief, this chapter is going to cover corporate reporting regarding the progression in corporate reporting practices, and the quality in the corporate reporting practices in line with research questions.

3.1. The Corporate Reporting in the Literature

In accordance with the continuously changing outlook of business environment (e.g. new situations and problems, COVID-19), it has been possible to notice the existence of new approaches within the business activities, operations, governance structures, reporting methods and so on. Years ago, corporate governance was emerged first time as a new governance approach, which has been evolving to respond to the changing conditions of corporate environment. Also, a variety of stakeholders have been the most important actors of corporations as well as corporate governance regime. Under the complex and changing circumstances of business environment, corporations or any organizations should be in communication with various external and internal stakeholders (Deegan and Unerman, 2006). It is possible through corporate reporting practices, which is a way to enable communication about firm specific information, performance, investments, policies and ethical concerns (Healy and Palepu, 2001; Wood, 2010; Eccles and Krzus, 2010a; OECD, 2015). In this context, corporate reporting practices are stated as the most important function of corporate governance regime to meet information needs of investors and other stakeholders in line with their needs. On the other hand, to contribute to the formation of the best business environment, considerable efforts have been made from the Cadbury Report (1992) to the recent version of G20/OECD Principles of Corporate Governance (2015). In the light of these efforts, some principles have been accepted as the fundamental of corporate governance that has been mentioned previously, such as fairness, responsibility, accountability and transparency. In this regard, corporate governance should be based on these principle in the matter of maximizing the returns of shareholders and aligning the interests of stakeholders while performing other business activities. Therefore, it has been accepted as the foremost role of corporate governance, but it is not the only responsibility that is taken. Another notable matter is that reflecting an actual picture of corporation to both internal and external stakeholders, which enables to make decision on performances of business easily. As noted by OECD (2015:37), the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. In other saying, corporate reporting is based on how the different mechanisms of corporate governance communicate with its stakeholders about performance and activities of business by considering different reporting practices. In this context, corporate reporting is summarized to as a process which periodically reports or discloses essential information in a mandatory or a voluntary manner to use of users of information (Bushman et al., 2004b). Thereupon the principles and different aspects of corporate governance are met by reporting or disclosing of the essential information under the name of corporate reporting practices. In the view of previous lines, it is also stated that corporate reporting is not only about disclosing financial information, but also it is interested in reporting of other important characteristics of business for the purpose of meeting the demands and needs of various interest groups. Regarding that the meaningful, effective and efficient information are demanded by stakeholders together with transparency and accountability, which should be a role that is taken by governance structure to provide these information voluntarily (Eccles and Saltzman, 2011; IoDSA, 2016; Rupley et al. 2017). In this context, reporting or disclosing other major activities of business can be connected with the changes in the needs of stakeholders. All these mandatory and voluntary reporting practices are critical to strengthen the trust between corporations and stakeholders as well as to be successful both inside and outside. The previous paragraphs have also indicated a basic relationship between corporate governance and corporate reporting. This relationship is also explained by means of agency problem perspective. One of the most remarkable problems, which is occurred due to the conflict of interest, is called information asymmetry. The reporting of financial information in a proper manner have a great importance, which is associated with overcoming the information asymmetry that is arisen from agency problem (Diamond and Verrecchia, 1991; Healy and Palepu, 2001; Armstrong et al., 2016). In this respect, corporate reporting practices are the most prominent method to deal with information asymmetry, which leads to improve efficiency and characteristics of information that are provided (Kachouri and Jarboui, 2017). In terms of main idea of this study, improved reporting quality has an important contributor to deal with these problems and to provide a number of benefits to users of information. However, it is believed that corporate governance is the key determinant of corporate reporting practices as well as quality. Also, as stated before that reporting scandals and frauds have been a sign of insufficient governance mechanisms. Therefore, the well-functioning corporate governance mechanisms are good at enabling the best corporate reporting practices, which create a business environment where corporations are transparent, accountable, efficient and effective.

Within the corporate governance structure, corporate reporting is regarded as one of the most significant components, which have a mediating role between corporations, shareholders and stakeholders. However, the reporting techniques may vary in line with the needs and demands of corporate environment and stakeholders. All these matters have been critical forces behind the emergence of different reporting practices that are based on quantitative and qualitative information. According to IIRC (2011) and Baron (2014), corporate reporting practices have been evolved over the years which has resulted in the adoption of various approaches, which are illustrated in figure below (see Figure 3.1.)

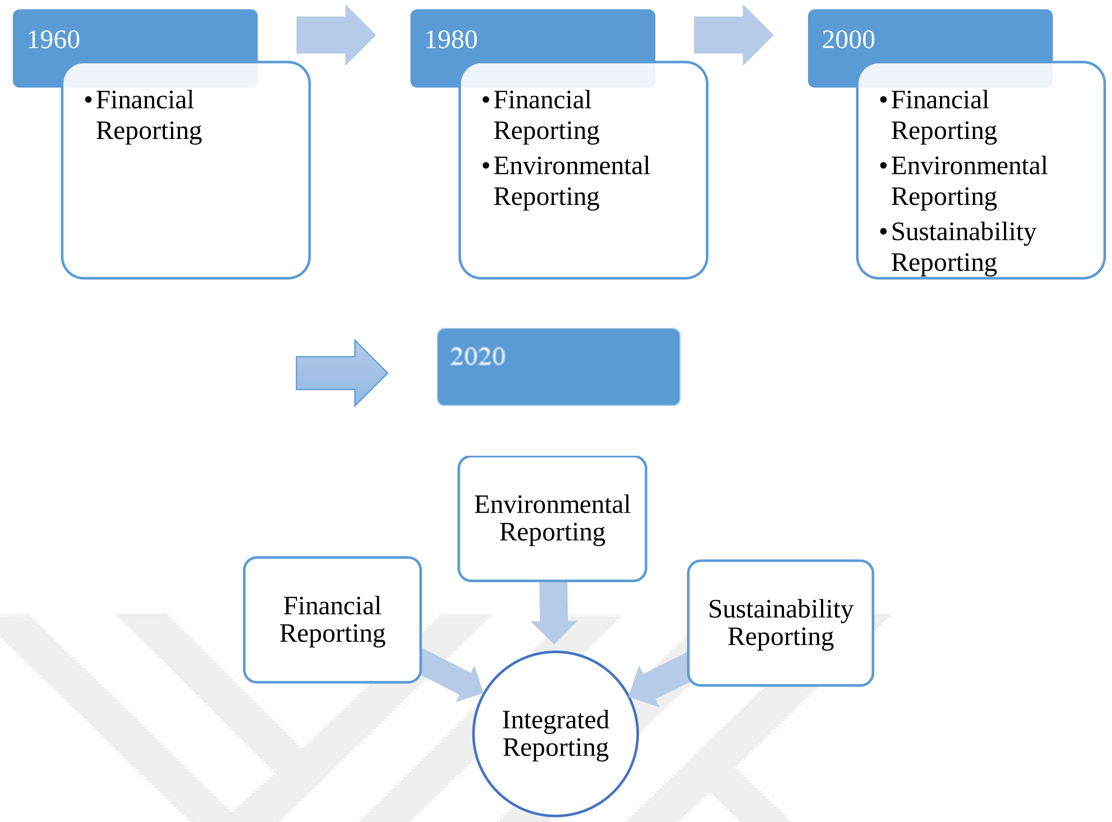

Figure 3.1. Corporate Reporting Practices

Accordingly, figure 3.1. indicates that different reporting methods exist. Although the number of reporting types has increased over the years, financial reporting has always been the basis of corporate reporting practices because financial information have always been main requirement for many reasons. In this manner, reporting of financial performances or activities can be accepted as the starting point of corporate reporting practices. On the other hand, reporting of financial information have been a stand-alone approach until 80's. After this point, a great awareness has raised on the importance of stakeholders and other social and environmental concerns (e.g. Freeman, 1984), which can be attributed to the emergence of new reporting types. As a matter of fact that new variations of reporting practices have been considered in point of getting in touch with corporate environment. In the view of figure 3.1., the basic reporting practices are listed as financial reporting, environmental reporting, sustainability reporting and IR. Each report has undertaken a different role in relation to the needs of users of information. In addition, the figure above is demonstrated that IR is based on the integration between financial and non-financial information. In the

21st century, the advancements in corporate reporting continues with IR, which is regarded as the most significant reporting approach of business world.

In conclusion, the basic meaning of corporate reporting has been addressed in this section of the study. Corporate reporting practices have taken a complementary role for good corporate governance, which facilitates to shape business environment and to meet the information needs of shareholders and stakeholders. Also, corporate reporting is a critical indicator to determine whether the principles of corporate governance are abided by different mechanisms and participants. Corporate reporting practices are mostly known as financial reporting, non-financial reporting as well as IR, which are going to be issued.

3.2. The Corporate Reporting Practices

Until the formation of IR, financial and non-financial reporting have been a stand-alone components of corporate reporting practices. In this context, financial reporting has played a predominant role as a fundamental approach to show financial performances in a mandatory manner. However, the new reporting techniques have started to emerge which originate from the new conditions as well as the demands of stakeholders. Accordingly, the growing concerns and interests over the economic, environmental, social and governance issues have led to disclose the non-financial information for years in a voluntary basis, such as ESG reporting, sustainability reporting and IR (Baron, 2014; Willis et al., 2015). Even though several reporting approaches have been existed, it might be ineffective or complicated way to disclose non-financial information by considering all different forms of reporting practices simultaneously. Accordingly, it is stated by Eccles and Spiesshofer (2015) that financial reporting, sustainability and IR are taken into account as the essential instruments of corporate reporting. The roles and different aspects of the major reporting practices are going to be outlined in below (see Table 3.1.) in the light of studies of IIRC (2013), Willis et al. (2015), and Eccles and Spiesshofer (2015).

Table 3.1. The Basic Corporate Reporting Practices

	FINANCIAL REPORTING	SUSTAINABILITY REPORTING	INTEGRATED REPORTING
CONTENT	Financial Information	Non-financial Information	Integration of different information
FUNCTION	Information	Transformation	Transformation
FRAMEWORK OR STANDARDS	IFRS (US GAAP)	GRI Standards	Integrated Reporting Framework
COMPARABILITY	High Comparability	Limited Comparability	Considerable Comparability
USER	Shareholders	Stakeholders	Stakeholders and Shareholders
GLOBAL APPLICABILITY		Applicable to All Businesses	
PRACTICE	Mandatory	Voluntary	Mostly Voluntary

It is demonstrated by the table above that reporting of financial and non-financial information as well as combination of a variety of information by IR are the fundamental of corporate reporting practices. However, the main reporting practices differ from each other as regards their content, function, framework, comparability, user, applicability and practice. The differences between reporting practices can be attributed to the fact that the different roles and objectives have been taken. On the other hand, it can be stated that IR is inspired by other reporting practices, which integrates different features of financial and non-financial reporting together in order to take current reporting practices to the upper level. Accordingly, IR is expected to attract the users of both financial and non-financial reports.

It has been indicated that the different reporting practices have been introduced to comply with the different conditions of business environment, and to meet the expectations of stakeholders. However, one of the main concentrations of this study is to show that in which degree the corporate governance practices affects IR quality. For this reason, rather than discussing various reporting practices deeply as separate parts, the major reporting practices have already been summarized preferably (see Table 3.1.). In this context, it is believed that it is more significant to focus on the progression in corporate reporting practices towards IR, and the quality assessments in reporting practices. Lastly, IR is going to be covered in the Chapter 4 together with key details.

3.2.1. The Progression in Corporate Reporting Practices towards IR

The scope of corporate reporting has extended over the years until the IR practice. In this study, IR is a matter in which corporate governance is thought to have an effect on it. Accordingly, it is necessary to emphasize how this progression has taken place towards IR, which is a major section to clarify the subject.

Within the corporations, a variety of quantitative information are existed, which are mainly about how much money is spent on raw materials, resources, productions as well as the amount of costs, taxes and profits, and so on. In a general term, these information are known as the financial accounting information, which are significant to run business operations in a healthy way, and necessary for the existence of corporations as well. Basically, financial accounting information, such as balance sheet, income statement, stakeholders' equity and cash flows, are the main sources of financial reporting. Also, corporate reports are the primary means by which the management of an entity is able to fulfill its reporting responsibility by demonstrating how resources with which it has been entrusted have been used (Accounting Standards Steering Committee, 1975:16). Furthermore, corporate governance is concentrated on creating a structure which should be mostly interested in aligning or safeguarding the interests of shareholders financially. In this regard, the consideration of financial accounting information is a critical matter to constitute the best corporate governance regime, which is possible through reporting of essential financial information for the use of both the shareholders and other interest groups (Bushman and Smith, 2004a; Eccles and Spiesshofer, 2015; Armstrong et al., 2016). By doing so, it promotes to decision making processes of the users of information in a proper manner. All these can be stated as the reasons of why financial reporting has the top priority among the different corporate reporting practices. Therefore, financial reporting has been a vital part of corporations for years (Jeyaretnam and Niblock-Siddle, 2010a). On the other hand, it can be stated that the business environment, which has never been static, have always intended to change and keep with up new conditions. However, only the shareholders' interests are satisfied by financial reporting (e.g. Table 3.1.; Simnett and Huggins, 2015), which is designed to meet the needs of industrial conditions of previous century (IIRC, 2011). Although financial reporting has been regarded as one of the most prominent and mandatory reporting approaches, it has been criticized under today’s situations in terms of its limitations. Accordingly, in today’s globalized world, social, environmental, governance, and ethical issues are regarded as indicators that contribute to the decision making processes. In other words, non-financial aspects have started to be the main considerations in corporate environment. Also, the scandals, frauds, and other problems within corporations can be stated as some other factors that encourage stakeholders to seek for more information about the non-financial implications of business activities. In this context, the changes in the conditions of business environment and demands of stakeholders have emerged the need for additional information about the non-financial effects of business (Eccles and Sarafeim, 2011; Ioannou and Serafeim, 2015; Velte and Stawinoga, 2016; Ioana and Petru, 2017; Hoque, 2017). As indicated by Eccles and Saltzman (2011), and Magnaghi and Aprile (2014), the fact that financial reporting has started to be inadequate regarding on providing information about the non-financial activities. Apparently, the main concentration of corporate reporting has shifted towards meeting the emerging needs of stakeholders, likewise, in the corporate governance. Accordingly, this is a major reason that is relied on reporting of non-financial information by business entities (Cohen et al., 2012; Hughen et al., 2014; Willis, 2015). As a result, the stakeholders, who intends to be informed on the social, economic and environment consequences, put more pressures on corporations’ activities. Therefore, a change is necessary to present a better picture on business activities and performances, thereby taking non-financial information into account, which is met through voluntary non-financial reporting practices.

The non-financial information are reported in a voluntary basis (see Table 3.1.), which has extended the scope of financial reporting. Non-financial reporting practices are generally known as sustainability reporting, corporate social responsibility reporting, ESG reporting, environmental reporting and so on. Accordingly, a set of voluntary reporting practices have been experienced by reporting entities, but the sustainability reporting has been the primary driver of non-financial reporting practices (see Table 3.1.). All the important features of other non-financial reporting practices are encompassed by sustainability reporting in which its goal is to advance in transparency and accountability (GRI, 2011). This is one of the most desired business environment that intends to be created under the control of corporate governance mechanisms. Accordingly, sustainability reporting is a way to highlight the priorities of corporations regarding policies, structures and activities that relates to societal, environmental, governmental and ethical concerns in both positively and negatively (GRI, 2013; Willis et al., 2015), which mainly reflects the responsibilities of corporations about the usage of nonrenewable resources, efficiency in energy consumption and emission level as well as the human right, child labor and so on. On the contrary of financial reporting, through the non-financial reporting practices, information are not only served for shareholders, but also for the use of each internal and external stakeholder. In this sense, it is aimed at strengthening the trust and facilitating the decision making processes of each participant. In an exact word, the financial and non-financial reporting practices have complemented each other's shortcomings. Nevertheless, the solutions that have been sought have been non-permanent. Initially, the well-known form of non-financial reporting, which is sustainability reporting, is regarded as insufficient in point of explaining the financial implications of non-financial activities and building a bridge between various information (King, 2011). In this sense, the inconsistencies between financial and non-financial reporting practices have been pointed out, which has been deficient in connecting of financial, governance, environmental, and social issues together (Eccles and Krzus, 2010a; IIRC, 2011; Robertson and Samy, 2015; Ioana and Petru, 2017; Suttipun and Bomlai, 2019). Therefore, these are one of most remarkable reasons of why integration of information are needed. Besides, financial and non-financial information have been reported by stand-alone practices. In this respect, these reporting practices have been criticized in complexity and length, which are resulted in confusion during decision making process (Cleverly et al., 2010; IIRC, 2011; Eccles and Saltzman, 2011; de Villers et al., 2014). In the websites of corporations, it has been possible to encounter sustainability reports that exceeds a hundred of pages. In a word, increases in the number of reporting activities, which require to be published and to be evaluated separately, make everything more challenging in terms of both the reporting entities and users of information. Most importantly, these situations come along with various problems that lead to complexity in the decision making process of shareholders and stakeholders. In this context, there is a gap between current reporting practices, which reveals the need for a new communication model that integrates the financial and non-financial information in one report (de Villiers et al., 2014; Stent and Dowler, 2015; IIRC, 2013; Maas et al., 2016; Rupley et al., 2017).

All these considerable events that have been mentioned so far have proven the emergence of new reporting approach, which should explain the interconnections between financial, governance, social, environmental, and economic aspects as well as their overall effects on the general outlook of corporations. In short, this approach should be based on an integration of the essential information in order to consider many crucial aspects of business, which is called *Integrated Reporting (IR)* (IoDSA, 2009; IIRC, 2011; 2013). Briefly, the deficient side of financial reporting in presenting non-financial information led to reporting non-financial information through voluntary practices. However, it resulted in creating complexity rather than being a solution. In other saying, current reporting practices are restricted depending on their nature so as to provide a holistic picture of business by considering financial and non-financial aspects cooperatively. The financial and non-financial information have been the leading force behind IR, but the differences in the main concentrations, dissatisfactions and inadequacies in current reporting practices have resulted in integrated approach. It is expected that IR approach is going to exceed the limitations of current reporting approaches, in which quality is the most significant determinant to do so. The quality in reporting practices is going to be part of this study in the next lines, which is also going to be issued as a separate section when IR is considered.

3.2.2. The Quality in Corporate Reporting Practices

The content of corporate reporting practices have expanded over time which is resulted in integrated approach. However, until the IR practice, financial and non-financial information have been reported separately. One of the main objective of corporate governance is to enable the communication between shareholders, stakeholders and corporation by means of corporate reporting practices (see section 3.1.). In this respect, it is expected that the communication process that is taken place should be abided by some factors, which can contribute to the improvements in the quality of information. Put differently, corporate reporting practices should meet with the high quality. However, the quality in corporate reporting practices should not be associated with the amount of information that are reported or so on. For this reason, the factors that determines the quality in reporting practices should be well understood by reporting entities. Accordingly, the finding of van Nederpelt (2011) has shown that there are 19 attributes that determine the quality of reports, which are sorted as accessibility, accuracy, appropriateness, clarity, compliance with standards, comparability, completeness, consistency, costs, duration, familiarity, frequency, language, punctuality, relevance, timeliness, transparency, unambiguity, and usability. In brief, it is stated that the consideration of a set of characteristics or standards are crucial way to meet quality in reporting practices. Besides, the treatment of standards or frameworks in different variations, which differ from country to country or from corporation to corporation, might cause some undesirable conditions in both the domestic and internal business environment. It is believed that the adoption of internationally accepted standards or frameworks has the greatest importance to constitute common reporting language and to improve quality, which leads to a better understanding on reports. According to ACCA (2018), reporting practices that should be based on a set of global standards or frameworks have a number of benefits as summarized below;

- Increasing consistency and comparability within reports.
- Improving the quality of information by providing reliable and relevant information.
- Dealing with uncertainty and providing holistic picture of business by means of high quality information that is provided.
- Attracting users of information by enabling effective communication.
- Contributing to the decision making process, risk assessments, cost reductions.

All these factors above are demonstrated that it has been necessary to comply with global standards and frameworks for many reasons, which is vital in terms of reporting quality as well. In this context, globally accepted standards or frameworks have been addressed by the different organizations in accordance with the nature of both financial and non-financial reporting practices. These are known as International Financial Reporting Standards (IFRS), Global Reporting Initiative (GRI), and International Integrated Reporting Framework.

Financial reports have been produced by quantitative information to give insight about the mostly financial performances and outcomes of business. Accordingly, providing high quality in financial reporting should one of the most important goals of reporting entities. It is possible through the consideration of a set of standards, principles or frameworks (e.g. IFRS, U.S. GAAP) that is essential to show financial outlook in an accurate manner and to improve transparency and comparability (Druckman and Freis, 2010; Eccles and Saltzman, 2011; Baron, 2014; OECD, 2015), which cope with information asymmetry as well (Diamond and Verrecchia, 1991; Daske et al., 2008). High information quality is the main concern of users of reports as well for several reasons. According to OECD (2015:44), the application of high quality accounting and disclosure standards is expected to significantly improve the ability of investors to monitor the company by providing increased relevance, reliability and comparability of reporting, and improved insight into company performance. These are one of the most critical reasons of why financial information must be reported mandatorily, and why quality is among the crucial determinants. Accordingly, the basic principles of financial reporting are issued by International Accounting Standards Board (also known as IFRS), which are located in table below (see Figure 3.2.). These principles are named the qualitative characteristics for financial reporting which improve the quality of information respectively (IASB, 2015).

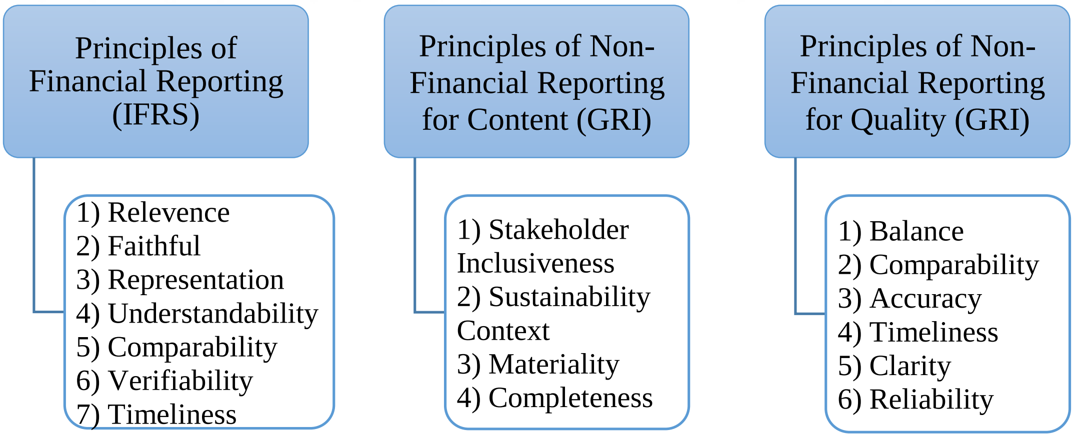

Figure 3.2. The Principles of the Main Corporate Reporting Practices

On the other hand, it has been mentioned before that the changing landscape of business environment have led to improve awareness on the importance of social, economic, environment and governance issues. Likewise in financial reporting practice, the quality of non-financial reporting has been a key requirement that should met through principles or frameworks. Accordingly, the GRI has been one of the organizations that have contributed to the quality in non-financial reporting for years by the agency of a set of principles. The GRI Framework is intended to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance (GRI, 2011:3). In this respect, it can be stated that GRI guides the improvements in information quality. Furthermore, principles are addressed by GRI (see Figure 3.2.), which helps to ensure about the accuracy of content and the quality of information that are reported.

It is indicated that adoption of IFRS contributes to reporting quality positively (Soderstrom and Sun, 2007; Jiao et al., 2012; Hoque et al., 2014; Yurisandi and Puspitasari, 2015), which is used to measure financial reporting quality (Mahboub, 2017). On the other side, GRI is mostly inspired by IFRS, which pay attention on some different principles to meet different needs of users of information. According to Willis (2003), the non-financial reporting quality and usefulness is met through adopting GRI Principles, which is stated by Plumlee et al. (2015) as a way to measure quality as well. Therefore, the principles that are determined by GRI enables to increase quality of communication. On the other hand, some of the attributes of quality in reporting practices that have already been mentioned (see van Nederpelt, 2011) are directly indicated as the underlying elements of both IFRS and GRI.

In conclusion, previous paragraphs have proven that the extent to which degree the principles of reporting practices are taken into consideration are associated with the level of reporting quality. Nevertheless, some of important characteristics that may affect the reporting quality, have been limited due to the nature of current reporting practices. According to ACCA (2018), the characteristics, such as future orientation, entity specific information, strategic focus, connectivity of information, and conciseness, should be the part of framework. IR has been emerged as a new reporting approach to satisfy the needs of business environment and users of information. Apparently, the other essential characteristics that have been covered above, are met by IR practice by means of going beyond being a usual integration. Under these conditions, it is thought that a framework or a set of standards that are abided by during the production of IR promotes IR quality. In this respect, a critical role has been taken by International Integrated Reporting Council (IIRC, also known as IFRS Foundation) in contributing to the development of IR approach, which helps to improve IR quality (IIRC, 2013a). Accordingly, IR is going to be the most indispensable chapter of this study, which will be covered next.

CHAPTER 4
INTEGRATED REPORTING

There are some integral parts of business activities, and some of which are financial, social, environmental, governance, marketing and so on. These are the most critical determinants of the existence of corporations, which are based on a basic relationship with corporate reporting practices in the matter of reporting these activities to make use of corporate environment. In the view of previous chapter, it has been observed that corporate reporting practices have evolved towards IR. Accordingly, IR has been the main concern of both the corporations and user of information, which is accepted as a new form of corporate reporting. On the other hand, the major motivation of this study is to reveal IR quality and the effects of corporate governance on IR quality. In this sense, this study is grounded on some main subjects which have already been covered as corporate governance and corporate governance mechanisms. Therefore, IR quality is the dependent variable of this study in which IR practice and IR Framework is going to be other key components of this study, which will be addressed subsequently.

4.1. Integrated Reporting in the Literature

The developments in the business environment have usually brought the new approaches together, which have affected the nature of corporate governance and the main theme of corporate reporting practices that have undergone some alterations over the years. Accordingly, new reporting practices have started to be adopted, in addition to financial reporting, such as, corporate social responsibility, sustainability reporting, and IR. However, IR has already taken a special place among these reporting practices for many reasons rather than being an ordinary reporting practice. Accordingly, it has been crucial to inform about the different aspects of IR in order to prove why quality is necessary.

4.1.1. The Need for an Integrated Approach

Financial reporting has been the main driver of corporate reporting practices. On the other hand, corporate governance regime has been supplemented by non-financial reporting for years. However, a number of inadequacies have been reported in terms of user of information that have been mentioned already. Fundamentally, IR has emerged to react and complement the insufficiencies and failures that have occurred in the financial and non-financial reporting practices (Jeyaretnam and Niblock-Siddle, 2010a). The length of reports and leading complexity in decision making process can be stated as some important factors in this context. Although financial reporting as well as non-financial reporting has been considered as the major reporting practices, it has been essential to provide a more meaningful and understandable picture on business activities as it has been demanded. Also, as stated by IIRC (2011), it should not be the main consideration of corporate reporting practices to place more and more information into reports, which vitally should connect the necessary information together in a clear, understandable and brief manner. Besides, today's conditions are not same as the conditions of 80's or 90's, which result in the changes in the demands of stakeholders, trends, and approaches and so on. In a word, the need for an integrated approach has arisen in accordance with the demands of stakeholders and the deficiencies and inconsistencies in current reporting practices that has been mentioned previously (see section 3.2.1.). On the other hand, business environment, reporting entities and users of information need for IR practice for a variety of reasons as well. Some other reasons have been pointed out by IIRC (2011) in harmony with the changing landscape of business environment, which are summarized below.

- Emerging conditions in globalized world,
- Financial and economic crisis in worldwide, corporate scandals and problems in governance structure,
- Rising expectations for transparency and accountability,
- Desire to be informed about how business's scarce resources intend to be used,
- Increasing awareness on environment within the context of sustainability,
- Growth in company size, populations and so on.

Actually, these reasons above are not unfamiliar. They are known as the emerging conditions that have affected the ability, success, goals and the existence of corporations for years. Since these issues have been the common considerations of business environment, new approaches have started to be implemented. Accordingly, it is argued that the need for IR has arisen to react to those emerging conditions, which have not been achieved yet by traditional or sustainability reporting. In addition, corporate governance regime has been part of corporations for years that enables to respond to the changes in business environment, which has taken the different roles to do so (see section 2.1.3.). In this context, some of those emerging situations above are similar to the reasons behind why different roles have been taken by corporate governance regime. This is the most critical point to reveal why corporate governance and business environment need for an integrated approach, which has been part of their business activities through integrated thinking as will be mentioned. Apart from these conditions, a new reporting tool had been necessary at the point where the interest of both reporting entities and users of information converged. Therefore, three main reasons are stated by Hughen et al. (2014); 1) to give a new perspectives to the current reporting practices, 2) to show holistic picture of business and how different values are created, 3) to present all noteworthy information jointly. These are some of the critical motivations behind why business environment need for an integrated approach. Accordingly, an integration is necessary between current reporting practices under those circumstances, which can give basic idea about IR. However, consideration of IR as a simple integration method might mean that underestimating IR.

4.1.2. The Benefits of Integrated Reporting

The basic definitions of IR as well as the significant components of this approach such as integration, capitals, integrated thinking and value creation process have been covered briefly. Accordingly, in the light of previous section, a great number of benefits are expected to be provided by means of adopting IR as a main reporting practice. At first glance, the main benefits of IR can be stated as presenting the essential information in a holistic perspective to use of users of information. In this sense, IR can be seen as a tool to meet the reporting needs of different interest groups, but it brings various benefits as the best reporting practices (Steyn, 2014; Ioana and Adriana, 2014). In this context, an integrated report benefits all stakeholders interested in an organization’s ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers (IIRC, 2013a:4). Therefore, the different benefits have been provided to the numerous interest groups in which benefits can be grouped as internal and external. To start with the benefits that are provided to both parties, increases in the information quality is stated as the first and the most important benefits. Accordingly, one of the most vital benefit of IR is to enhance quality of information that are reported (IIRC, 2013a; Zhou et al., 2017; Vitolla and Raimo, 2018), which helps to deal with information asymmetry as well (Hoque, 2017). Besides, according to Barth et al. (2017), liquidity, firm value and investment efficiency is expected to be improved by means of better information quality that is provided. These are stated as the important matters that affect both the internal and external decision making process of different interest groups. Therefore, in accordance with the main idea of this study, it is believed that information quality should be increased through integrated thinking and IR practice. On the other hand, as stated already that integrated thinking is the most significant part of IR which is expected to be the source of the most of benefits directly. The content of IR is expected to promote decision making process by means of drawing better picture on business as it stated, which results in various benefits internally. Accordingly, as to reporting entities, adoption of IR contributes to the decision making process, which makes it easy to the determinations of risks (Morros, 2016), which also helps to cost saving (Druckman and Fries, 2010), and to improve financial performance (Churet and Eccles, 2014) and overall performance of business in the end (ACCA, 2014; Appiagyei et al., 2016). In addition, IR provides better understanding on key value drivers and strategic goals (Simnett and Huggins, 2015). These are the issues that are vital to the existence of the corporations. On the other hand, other the internal benefits of IR are ordered as promoting resource allocation, engagement with providers of financial capitals and stakeholders, decrease in reputational risks, increases in transparency and accountability as well as better decision making (Eccles and Krzus, 2010b; Eccles and Saltzman, 2011; ACCA, 2017; Hoque, 2017; Ioana and Petru, 2017). Therefore, it would be wrong to think that IR is only a tool to present general outlook of business. On the contrary, IR encourages reporting entities to take actions against their deficient sides to create the best business environment. In so doing, the corporations can comply with the changing conditions of business environment through holistic view that is provided by IR. On the other hand, there are some external benefits that are associated with IR. Accordingly, one of the main concern of integrated approach is to meet the communication needs of users of information (IIRC, 2011), likewise in other reporting practice. In this context, the powerful content of IR helps to increase the transparency and accountability which contribute to build trust between users of information and reporting entities (IoDSA, 2009; IIRC, 2013a; Hoque 2017). Accordingly, IR practice leads to better communication on both the positive and negative aspects of business by means of holistic view that is provided (Eccles and Krzus, 2010b; IIRC, 2011; Ioana and Petru, 2017). Also, the essential information are provided in a clear and concise manner, which is critical in terms of users of information. In addition, a common reporting language is believed to be created by IR practice, which makes it easy to compare different reports. In so doing, the nature of IR allows shareholders and stakeholders to make more meaningful assessments on the performance of business in the end (Haller and Staden, 2014; Lydenberg and Rogers, 2010). In brief, it can be stated that IR encourages users of information to think in an integrated way, likewise reporting entities, by means of its well-designed structure. In other words, the view that financial results alone are not an only determinant leads business environment to search for an integration between matters, which promotes to the integration in decision making process without doubts.

4.1.3. Integrated Reporting, Integrated Thinking and Value Creation

Previous sentences and chapter can be regarded as the important point that emphasize the role that should be taken by new reporting practice. Therefore, the curiosity is risen about which reporting practice is taken the new role. Accordingly, today's corporate environment have sought for a new communication tool until the introduction of integrated approach. Since the formation of International Integrated Reporting Council in 2010, IR has been considered as one of the major reporting practices. It is possible to describe IR regarding on its different features such as integrated thinking, value creation and so on. Initially, the main objective of any reporting practices have always been a communication tool between reporting entities and users of information. For this reason, integrated approach is a way to communicate to users of information, shareholders and other interest groups on how value is created which is based on strategy, governance, and performance (IIRC, 2013; Vitolla and Raimo, 2018). While current reporting practices have focused on showing some specific results relates with its role, IR has started to be one of reporting practices to show cumulative results of the different actions and operations of reporting entities. In this context, IR is a process that is not only integrated the financial and non-financial information together as it is expected, but also the most important information on social, governance, and performance have found a place as a part of practice in an integrated way, in one single report, in a clear, concise and efficient manner (Eccles and Krzus, 2010b; Eccles and Saltzman, 2011; Baron 2014; Stent and Dowler, 2015; IoDSA, 2016; Hoque, 2017; Melloni et al, 2017). In this regard, the considerations and integrations of business related information as well as the way of being clear and concise are stated as the most prominent aspects of IR that makes the differences. This has never done by other corporate reporting practice before. Accordingly, this is indicated as the most basic definition of IR, but the integration does not exactly mean that the putting various information in a report. Within the limitations of current reporting practices, it would not make any senses if these information were taken one by one and summarized briefly in one report. On the country, the better picture of corporations are expected to be shown by IR, which is called holistic view. The end product of this process is called integrated report respectively. In this regard, an integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time (IIRC, 2013a:16). Literally, holistic view means that the integrations of financial information, strategies, intentions, governance, sustainability, business model, different capitals, business outlook, risks, opportunities, different performance, which intends to connect these information together in order to create value over time in short, medium and long term (Druckman and Freis, 2010; Jensen and Berg, 2012; IIRC, 2013a; Hughen et al., 2014; ACCA, 2018). Accordingly, the holistic view is provided through communicating on value creation process and integration of essential information, which aim is to change the perspectives of user of information in a broader sense rather than focusing on a reporting approach that only considers financial results. This is stated as the most significant feature of IR that distinguishes IR from other practices, but there are other important aspects as well.

This is only the visible part of IR that has been covered so far, and there are more behind this integration, which is based on integrated thinking. Initially, integrated thinking is accepted as the heart of IR practice (Churet and Eccles, 2014; Stent and Dowler, 2015), which means that every processes start with thinking in an integrated way. Accordingly, IR is a process that is founded on integrated thinking which takes characteristics such as connectivity and interdependencies into account to tell value creation process (IIRC, 2013; Willis et al., 2015; IoDSA, 2016). Therefore, IR works in cooperation with integrated thinking which aim is to bring different business related elements together to tell the value creation story in the end. Besides, integrated thinking is stated as the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects (IIRC, 2013:2). Within the corporations, as it is known that the various departments and units are existed, which have different roles and objectives to contribute overall success. In this context, the different information from different departments or units are obtained to be integrated, which are the source of IR practice. In fact, this is about managing different knowledge as well which is possible through integrated thinking. Furthermore, the capitals are emphasized by IIRC's integrated thinking definition. By means of integrated thinking, IR provides better communication through combining six capitals into business model and governance, which are financial, human, social, intellectual manufacture and natural capitals (Adams and Simnett, 2011; Eccles and Spiesshofer, 2015; Morros, 2016; Zhou et al., 2017). On the other hand, the value creation process is another term that is mentioned in that definitions, which have already drawn attention of users of information. In this manner, value creation is a process that informs about how value is created by using different capitals and developing relationship with various stakeholders, while considering the conditions of external and internal environment (IIRC, 2013). In other saying, it is expected to tell how inputs (different capitals) are transformed into outcomes, which is important to ensure holistic view (Cheng et al., 2014; Higgins et al., 2014). In addition, the capitals and value creation are the component of International Integrated Reporting Framework, which will be issued in the related section as well. Accordingly, it is stated that all the integration process of different information and value creation process have substantial role to provide holistic view. Exactly, there should be a mind behind that makes an effort to think in an integrated manner to provide holistic view and to tell all these stories that add value. From this point of view, it can be stated that all of them are the product of integrated thinking stage that contribute to the production of integrated report respectively. In order to achieve those, it is expected that integrated thinking should be a vital part of corporate governance regime as well. Under these conditions, it is believed that IR encourages reporting entities to think in an integrated manner. In this perspective, it should not be surprised to indicate that IR is more than a reporting practice, which tries to impose integrated thinking from top to bottom of corporations, SME's or different organizations. In this context, as noted by Vitolla and Raimo (2018) that IR has a positive effect on corporations. In addition, Velte and Stawinoga (2016) is stated that IR and corporate governance comes together by means of integrated thinking. In brief, the association between corporate governance and corporate reporting has been mentioned before, but IR has already taken this association to the higher level in the matter of adopting the logic behind integrate approach to the governance structure that is based on connectivity and integrated thinking. In so doing, the well-structured corporate governance is believed to be established by the agency of IR and its critical features.

4.2. The Quality in Integrated Reporting Practice

Corporate reporting practices have been experienced for years, which have several forms depending on their purposes. Also, the primary objective of corporate reporting practices is to be a communication tool to inform users of information on financial, non-financial issues and other business related matters (Healy and Palepu, 2001; Wood, 2010; Eccles and Krzus, 2010a; OECD, 2015). On the other hand, IR has emerged as a new form of corporate reporting practices to respond the changing conditions and demands. It has been mentioned previously that many reasons are existed behind the emergence of IR. However, one of the most important reasons can be stated as the need for a new communication method in line with the limitations of current reporting practices. Accordingly, the quality of the communication process, which means that the information quality of reporting practice is believed to be a critical determinant that contributes to both the reporting entities and users of information. Therefore, providing high quality in IR practice should be among the priorities of reporting entities. Also, the expectation of users of information are in this direction as well, in which the quality of IR practice should be expected to be higher than current reporting practices. For this reason, as stated by IIRC (2013:2), the main aim of IR is to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital. In this context, the nature of IR allows to present information in an improved manner which is beneficial in drawing the complete picture of business (Cheng et al., 2014). In so doing, the transparent and accountable business environment should be constituted as it is demanded by stakeholders. On the other hand, as noted by Hichri (2022), IR quality should be increased by corporations, so as to provide holistic picture and tell value creation process in a better way, which is also a way of reducing information asymmetry and agency costs respectively. Under the corporate governance mechanisms, information asymmetry and agency costs are the main concerns that should be dealt with, which is possible through reporting practices. However, it is believed that the nature of integrated approach is more appropriate to do so in the matter of imposing integrated thinking in governance structure. Besides, the findings of Zhou (2017) documents that IR quality leads to decrease the cost of equity, and to improve forecast quality. Accordingly, it is expected that IR quality contributes to the internal decision making process of corporations which affects time, cost and cash flow positively (Hampton, 2012; Burke and Clark, 2016; Malola and Maroun, 2019). These are important considerations that affect the decision making process of users of information, but the overall picture shows that the improvements in IR quality have benefits for the reporting entities in the long run as well. In this context, one of the most critical question is what determine IR quality or how the quality is going to be enhanced. In the previous chapter of this study (see section 3.2.2.), the financial and sustainability reporting quality were discussed, which reveals the importance of quality that is met by consideration of a set of standards and frameworks. Accordingly, appropriate and powerful standards are significant to promote high quality in reporting practice, which helps to create the best business environment (La Porta et al., 1998; Kabir et al., 2010). In this context, it is believed that the foremost role has been taken by International Integrated Reporting Framework since 2010. Besides, in the literature, IR quality has been the main motivation of various studies in a different extent (Pistoni et al., 2018; Iredele, 2019; Malola and Maroun, 2019; Vitolla et al., 2019a; Vitolla et al. 2019b; Agustia et al., 2020; Vitolla et al., 2020a; Vitolla et al., 2020b; Songini, 2022), in which the similar point of these studies is to take IR framework into account while assessing IR quality. On the other hand, the content of reporting practice should not be the only indicator of quality (Unerman, 2000), but also the form, style and other important matter should be considered as a determinant of quality (Hammond and Miles, 2004). Accordingly, IR Framework is grounded on three different parts, which considers fundamental elements, guiding principles and content elements. Therefore, this is the most important findings in the matter of measuring IR quality, which is based on IR Framework. On the other hand, due to the nature of current reporting practice, some characteristics have not been possible to be considered. In fact, these characteristics can be stated as some of the reasons behind insufficiencies in financial and sustainability reporting. As noted by ACCA (2018), future orientation, entity specific information, strategic focus, connectivity of information, and conciseness should be main elements of successful reporting practice as well as framework. Therefore, it is believed that International Integrated Reporting Framework one of the best to encompass all these critical aspect in a framework, which is crucial in terms of meeting quality. However, it is believed that the considering a framework can be a determinant of quality to some extent. This is the reason of why the different studies have been interested in impacts or different drivers of IR quality (de Villiers et al., 2017; Pistoni et al. 2018; Iredele, 2019; Vitolla et al., 2019a; Vitolla et al., 2020b; Vitolla et al, 2020c). For this reasons, in harmony with the main idea of this study, it is estimated that there are other determinants of quality as well, in which corporate governance is expected to be one of those. Therefore, the effect of corporate governance on IR quality is going to be discussed concerning the theoretical background and current literature in the subsequent chapter. However, before being proceeded through theoretical perspectives and existing studies, it is intended to introduce IR Framework, which is critical to contribute the quality of IR in somehow, and tool to measure quality respectively.

4.3. The International Integrated Reporting Framework

In this study, the main intention is to find the best answer on research questions, in which corporate governance is expected to be one of the most critical decisive on IR quality. On the other hand, the previous paragraphs (see 3.2.2. and 4.2.) indicates that taking the set of standards or framework into account is essential to meet with the most suitable reporting approach. In this sense, U.S. GAAP, IFRS and GRI has been one of the most substantial examples that contribute to the corporate practices in many different ways. Also, placing the standards or frameworks in the center of reporting practice is important as regards ensuring quality. Therefore, it is believed that the set of standards or principles, which are considered around a framework, should be the fundamental part of IR practice. According to IIRC (2011:1), a global consensus on the direction in which reporting needs to evolve, creating a framework for reporting that is better able to accommodate complexity, and, in so doing, brings together the different strands of reporting into a coherent, integrated whole. After a long journey of corporate reporting, now IR practice is being taken its place as a new tool of corporate reporting. Since 2013, the International Integrated Reporting Council (IIRC) has contributed to development of IR practice and subject around the world through the different publications and conferences. On the other hand, in 2021, IIRC and Sustainability Accounting Standards Boards (SASB) were merged under the name of the Value Reporting Foundation. For this reason, IIRC has been known as the Value Reporting Foundation until 2022. In addition, in 2022, IR Framework and Principles has started to be operated under the auspices of IFRS foundation (IASB) and International Sustainability Standards Boards (ISSB). Accordingly, Value Reporting Foundation has been part of IFRS foundation, which is knows of IFRS foundation today. Despite the merger of different organizations over time, all the previous studies and contributions of IIRC have been preserved, which have been considered in this study as well. In this respect, IR Framework was revised in 2021, but no major changes were observed in fundamental concepts, guiding principles and content elements. Accordingly, the 2013 version of IR Framework was available when this study was designed, which was considered in this study. Apart from these above, in this study, IR quality is the most important component together with the corporate governance. Even though corporate governance is desired to be one of the most determinant factors of IR quality in this study, it would be wrong to ignore the effect of principles and frameworks on quality. As noted by Songini et al. (2022), IR quality is related in which degree the framework is adopted by reporting entities. Accordingly, the contribution was made by IIRC in 2013 in creating a framework for IR practice that has been mentioned previously. However, it is noted that the quality in reporting practice should not be only met through abiding a framework, but also the way of approaching governance structure should be considered as a major matter (PwC, 2014; Malola and Maroun, 2019). In other words, it is crucial to impose corporate governance structure or another governance approach on a framework. This role has been undertaken by IIRC and other foundations over time, in which framework has been inspired by corporate governance. Accordingly, IR Framework that has been supported by IIRC (today known as IFRS foundation), has been the internationally accepted framework in IR practice (Stent and Dowler, 2015; Ioana and Petru, 2017). In this context, IR Framework has already had an impact of newly published studies that were interested in assessing IR quality (Pistoni et al., 2018; Vitolla et al., 2019a; 2019b; Vitolla et al., 2020a; 2020b; 2020c; Agustia et al., 2020; Hichri, 2022; Songini et al., 2022). Therefore, it is significant to provide the brief information about what IR Framework is, which is taken into consideration as a way to measure IR quality in this study as well. As indicated by IIRC (2013), IR Framework consists of three main elements, which are summarized in table below (see Table 4.1.).

Table 4.1. The International Integrated Reporting Framework

Fundamental Concepts	Guiding Principles	Content Elements
• Value Creation • Six Capitals • Value Creation Process	• Strategic Focus and Future Orientation • Connectivity of Information • Stakeholder Relationship • Materiality • Conciseness • Realibility and Completeness • Consistency and Comparability	• Organizational overview and external environment • Governance • Business Model • Risks and Opportunities • Strategy and Resource Allocation • Performance • Outlook • Basis of Preparation and Presentation

In the light of table 4.1., IR practices should be grounded on fundamental concepts, guiding principles and content elements, which is essential to meet reporting needs of business environment. Accordingly, the consideration of IR Framework is the most vital factor in order to produce an integrated report at the end of all stages.

4.3.1. Fundamental Concepts

Fundamental concepts are the first component of IR Framework, which should be the part of IR practice. Initially, one of the main aim of IR is to provide information about how value is created through using different capitals such as financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. In so doing, it is intended to draw a meaningful picture on those process, which is named value creation process. Therefore, under the fundamental concepts, three main objectives come to the fore, which are value creation, six capitals and value creation process. In the IR Framework, each fundamental concept were issued in a comprehensive manner to contribute IR practice of reporting entities, in the related section. To the reporting entities, it is suggested by IR Framework that the consideration of fundamental concepts in process of forming IR is essential.

4.3.2. Guiding Principles

Reporting practices should be based on some standards or principles, in which IFRS and GRI has been the leading force behind financial and non-financial reporting in this context. Accordingly, IR practice should be built on principles which were indicated as strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability. These principles can be regarded as a guide in point of informing how information should be prepared and presented in IR practice. Therefore, the related explanations and essential aspects of each principles were addressed in the IR Framework under the section of guiding principles.

4.3.3. Content Elements

Content elements are the last component of IR Framework, which informs reporting entities about what content should be covered by IR practice. In this manner, eight different content should be part of IR practice, which are organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, and basis of preparation and presentation. In accordance with the content elements, eight different questions have been asked by framework (IIRC, 2013) which should be answered to produce IR in a proper manner.

CHAPTER 5
THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

The main objective of this study is to reveal the effect of corporate governance on IR quality. Accordingly, it is believed that corporate governance is a determinant factor that affects IR quality. However, before testing the effect of corporate governance on IR quality, it is necessary to explain rationale behind the research questions. For this reason, the association between corporate governance and IR quality is established by means of existing theories as well as the review of related literature. In addition, the rationale behind the hypotheses that are going to be proposed are going to be explained by theories and previous studies as well. In so doing, a conceptual framework is expected to be drawn, which provides better understanding on research question, and the relationship between hypotheses. It means that the independent and dependent variables are clarified. In brief, in this chapter of this study, the theoretical background of corporate governance, IR quality, and their connection as well as the conceptual framework and hypothesis are going to be covered.

5.1. Theoretical Background and Conceptual Framework

Corporate governance and IR quality are one of the most major components of this study, in which corporate governance is expected to have effect on IR quality. In the literature, corporate governance is mostly explained by agency theory (Ross, 1973; Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983), which is important theory in terms of development of this study as well. Since Berle and Means (1932), the problem that has been discussed has been the separation of ownership and control, which has caused a number of problems between shareholders (providers of financial capitals or principals) and managers (agents). On the other hand, within the corporations, it is expected that agents should run the business operations on behalf of providers of financial capitals in order to maximize the value of firm and shareholder, and to achieve goals and objectives. However, sometimes they may act in a way to protect their own interests rather than considering the interest of principals and corporations. Accordingly, some problems have been occurred which have resulted in agency costs and information asymmetry. As a result of separation of ownership and control, as indicated by Jensen and Meckling (1976), three main costs are existed which are monitoring, bonding and residual loss. These are summarized below;

- Monitoring costs are the type of expenditures that are incurred in accordance with monitoring the behavior of agents so as to take essential actions against undesirable conditions.
- Bonding costs are incurred to avoid managers to engage in unpleasant behaviors against the interest of principals, in which incentives are proposed to deal with it.
- Residual loss is another type of expenditure, which occurs when the monitoring and bonding costs are not sufficient enough. It leads agents to use the resources of corporation to maximize their self-interest.

The occurrence of such problems is the indicative of information asymmetry (Barako et al., 2006). In this manner, agents may have powerful information than other participants of business because of their role that is undertaken, which lead them to manipulate information or act against the interest of shareholders. In the literature, this situation is perfectly explained as information asymmetry (Klein et al., 2002; Brown and Hillegeist, 2007; Donnelly and Mulcahy, 2008). One of the best way to control or to mitigate the effects of agency problem is to build a system that works in a systematic way. Accordingly, this system should have separate decision hierarchies where it has board of directors to control and direct important actions between management level and shareholders, and has well-established incentive structure (Fama and Jensen, 1983; Sappington, 1991). Therefore, the need for a structure has emerged in order to cope with those negative conditions, which has been known as corporate governance for years. It is stated that corporate governance is about building relationship between different participants (Monks and Minow, 1995) who come together under a common mechanism with each other. Accordingly, as stated by Goergen (2012) that corporate governance is the most appropriate term to deal with negative outcomes that are arisen through agency problem. Also, the undesirable conditions of agency problem are overcome by means of aligning the interests of agents and principals, which is possible through the role of board of directors (Fama and Jensen, 1983; Bathala and Rao, 1995;

Healy and Palepu, 2001; Carter et al., 2003, Florackis, 2008). In other words, board of directors is one of the most critical components of corporate governance regime. In this context, one of the internal mechanisms of corporate governance that is called board of directors has a critical role in having control over business, which helps to diminish or get rid of effects of agency problem. Accordingly, in the view of agency theory, board of directors manage and regulate relationship between agents and principals, in which this relation is based on financial information (Bushman and Smith, 2001; Healy and Palepu, 2001; Brennan and Solomon, 2008) and non-financial information (Gray et al., 1987; Lorenzo et al., 2009). Furthermore, as an integral part of corporate governance mechanism, audit committee is expected to be a way to prevent agency problem as well as information asymmetry. In this context, as noted by Beasley et al. (2009), in the view of agency theory, audit committee helps to deal with information asymmetry through monitoring activities. Under the corporate governance regime, audit committee contributes to increase information quality in financial and non-financial reporting (Abbott et al., 2000; Ho and Wong, 2001; Barako et al., 2006; Lary and Taylor, 2012). In so doing, the negative effects of agency problem can be avoided. In this regard, it is believed that information quality is a critical indicator in relation to agency costs and information asymmetry. In respect of reducing the agency costs in monitoring activities, corporations should increase the volume and relevancy of information (Frias-Aceituno et al., 2014) as well as the quality of information (Bronson et al., 2006). For this reason, it is desired that improving the quality of information through reporting practices, may lead to positive results. Under today's condition, a role has been undertaken by IR as a new reporting practice to present information at the expected quality level, in which board of directors and audit committee are considered to be critical actors to contribute information quality in this context.

It is believed that corporate reporting is stated as a point where the different theories are converged, such as stakeholder theory (Freeman, 1984), legitimacy theory (Dowling and Pfeffer, 1975), signaling theory (Spence, 1973), and agency theory (Jensen and Meckling, 1976). In this context, the needs of stakeholders have changed over the years, which have led the emergence of new demands in social, environmental, and governance issues together with transparency and accountability. Accordingly, it has been one of the most important matter how the relations and interactions between different stakeholders are controlled by corporations (Freeman, 1984; Donaldson and Preston, 1995; Aguilera and Jackson, 2003). This is actually what stakeholder theory is interested in. Therefore, in the view of previous chapter (see section 2.1.2.1), under the corporate governance regime, corporation should respond to the diverse needs of stakeholders where corporate reporting is desired as communication tool to do so. On the other hand, legitimacy theory suggests that the expectations of society should be managed by corporations or organizations (Dowling and Pfeffer, 1975). Even though it sounds similar to stakeholder theory in the matter of behaving in accordance with the needs of stakeholders, it is more about being legitimate in the actions of corporations. For this reason, as indicated by Deegan (2002), corporations should be aware of their responsibilities against society as well as the stakeholders should be convinced that corporations have no undesirable behaviors on social and environmental matters. In other words, it is put forward by legitimacy theory that the connection should be made between stakeholders and corporations which is based on informing about the necessary information (Ashforth and Gibbs, 1990), which is allowed by corporate reporting practices (Eccles and Serafeim, 2015; Islam, 2017). In addition, it is stated by signaling theory that in order to deal with information asymmetry, the certain and reliable information should be signaled by corporations to the users of information (Verrecchia, 1983). Accordingly, it is clearly stated that corporate reporting is the most essential tool in terms of different theories as well. In a nutshell, on the basis of stakeholder, legitimacy and signaling theory, it is believed that mandatory and voluntary reporting practice has the greatest importance in the matter of being transparent and accountable in business activities as well as meeting the expectation of society and users of information. In this respect, a critical role is undertaken by board of director and audit committee in regulating relationship between stakeholders, shareholders and corporations. Also, board of directors should align the interest of stakeholders as well as they have a role in meeting the principles such as transparency and accountability (Hill and Jones, 1992; Solomon 1999). In order to meet the needs of stakeholders, non-financial information are expected to be reported voluntary under the corporate governance mechanisms. For this reason, voluntary reporting practices should be a way to reduce or alleviate the effects of information asymmetry by means of increasing volume and quality of information that are provided. Accordingly, it is indicated that the need for financial and non-financial reporting practices have emerged in relation to information asymmetry and agency problem (Healy and Palepu, 2001; Dey, 2008; Armstrong et al., 2016). In a brief, one of the most important tool of corporate governance to cope with those situations, is accepted as corporate reporting, which serves to overcome negative atmosphere. This is how corporate governance and corporate reporting are converged in terms of theoretical perspectives.

Today, the content of corporate reporting practices have been extended by the advancements in IR practice, which takes the significant sides of both financial and non-financial reporting practice, and other important matters in a report, in an integrated manner. In the view of previous chapters and theoretical background, it is believed that information quality that is provided by IR practice should be improved, which can be resulted in dealing with the information asymmetry and agency costs respectively. Also, the nature of IR is well designed thanks to its important features, such as considering six capitals, integrated thinking, and value creation process and so on. Therefore, the improvements in the information quality of IR practice can provide numerous benefits to business environment. In so doing, it is thought that internal mechanisms of corporate governance have an important role, which is expected to be a determinant of IR quality. Therefore, in the light of previous lines, a conceptual framework is going to be illustrated in the following figure in order to provide better understanding on the research questions and hypothesis (see Figure 5.1.).

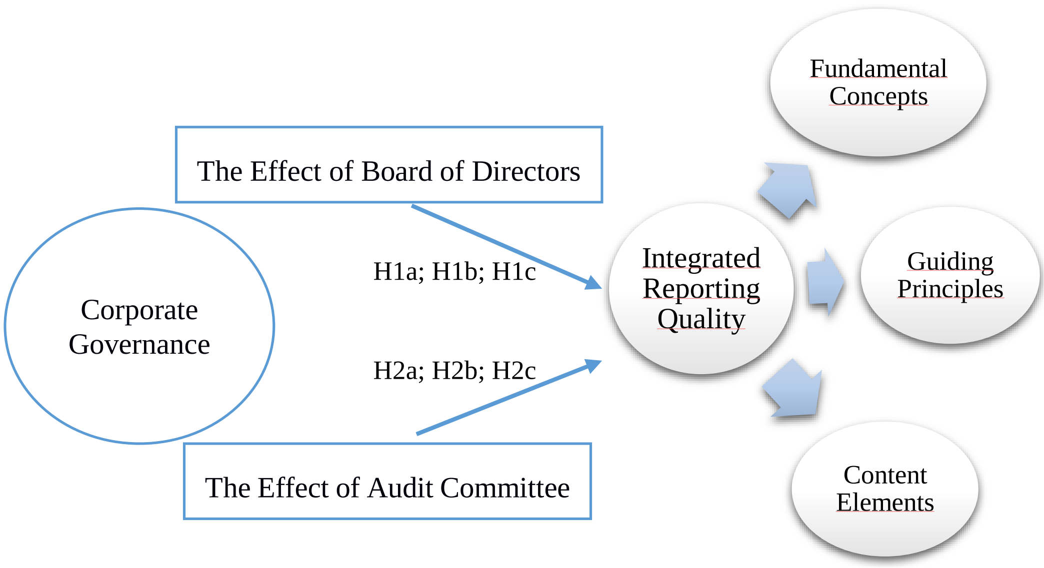

Figure 5.1. The Conceptual Framework

Figure 5.1. indicates all the stories behind the research questions. According to figure above, IR quality is the outcome, which is the dependent variable of the study. Besides, the effect of board of directors and audit committee (independent variables), which are determined through theoretical background and review of literature, are the predictors of dependent variable. Therefore, the findings within the current literature shows that IR quality is based on components of IR Framework as well as the predictors are grounded on the internal mechanisms of corporate governance. Also, in this relationship, six hypotheses are proposed, which are going to be explained subsequently.

5.2. The Hypotheses Development

In the view of theoretical background as well as previous chapters, it is clearly stated that corporate governance and corporate reporting is the most important subjects for business environment. In line with the main idea of this study, the quality of information that are reported under the name of corporate reporting practice, should be the most vital consideration of reporting entities. Furthermore, the reporting quality is expected to be improved for many reasons that have mentioned so far, which is beneficial for both the reporting entities, users of information and business environment. Therefore, corporate governance, and reporting quality has already been one of the most discussed topic within academics, organizations and different interest groups. Concerning this study, the quality of IR practice as a new form of corporate reporting practice is regarded as one of the most critical components. According to Frank (2010), framework or standards of different reporting practice such as IFRS and GRI enables to deal with complexity in the reporting practices. Also, it has been issued in the previous sections (see sections 3.2.2. and 4.2.) that set of standards and frameworks, such as IFRS, GRI and IR Framework, have been the leading force behind implementing the reporting practices in a proper manner, which is associated with reporting quality as well. Therefore, IR Framework has been pointed out as an important consideration to develop a scoreboard in order to assess IR quality (Pistoni et al., 2018; Songini et al., 2022). On the contrary of this idea, it is believed that standards or frameworks are only a guide that tells how information should be reported to meet quality standards. In this context, it is indicated that there are some other factors that directly or indirectly affects the IR quality. In the literature, a great number of studies have already been interested in IR quality as well, which are based on assessing IR quality and addressing different relations, such as integrated reporting quality (Pistoni et al. 2018), disclosure level of published integrated reports (Rivera-Arrubla et al., 2017), measurement and potential drivers of IR (Malola and Maroun, 2019), determinants of IR quality in financial institutions (Vitolla et al., 2020c), internal decision making and integrated reporting information (Esch et al., 2019), impact of national culture and integrated reporting quality (Vitolla et al., 2019a), IR quality assessment (Agustia et al., 2020), impact of cost of equity capital and IR quality (Vitolla et al., 2020b). These studies are regarded as attempts to search for determinants of IR quality. Apart from these studies above, theoretical background and previous chapters have addressed the importance of corporate governance mechanisms so far. Accordingly, various studies have documented that the relationship between corporate governance and many different issues. For example, corporate governance and corporate failure (Parker et al., 2002); corporate governance, product market competition, and equity prices (Giroud and Mueller, 2011); corporate governance and overall firm performance (Kumari and Pattanayak, 2014); corporate governance and environmental sustainability (Ortiz de Mandojana et al., 2016), and so on. Moreover, in accordance with one of research questions of this study, the positive relationship between corporate governance and its internal mechanisms, and reporting quality has been documented by different studies (Byard et al., 2006; Myring and Shortridge, 2010; Al-Najjar and Abed, 2014; Habib and Jiyang, 2015). These are regarded as the most important findings for the progression of this study. Even though there have been no studies that test the effect of corporate governance on IR quality when this study has started to be progressed, a few studies have been conducted on this subject over time. Accordingly, IR quality and board characteristics have been discussed by Vitolla et al. (2020a) and Songini et al. (2022). While mostly positive relationships are noted by Vitolla et al. (2020a), Pistoni et al. (2022) are reported mixed results. Accordingly, it is addressed that studies that are similar to each other have different results. In this context, this study is even more important in terms of its findings. Besides, previous studies can be criticized in the matter of their deficiencies in approaching the subjects and framework holistically. Therefore, this study is expected to draw more meaningful picture on the subjects. On the other hand, another major factor is that how those different studies have approached the corporate governance. In the view of theoretical background, it is expected that internal mechanisms of corporate governance such as board of directors and audit committee have the most critical role to improve information quality. Therefore, the different elements of internal mechanisms of corporate governance have been placed in the center of different studies, such as board size, board independence, board diversity, board composition, board committees, chief executive officer duality or separation, board meeting and shareholder concentration, audit committee (Byard et al., 2006; Al-Najjar and Abed, 2014; Cooray et al., 2020; Puti and Anlesinya, 2020). Also, the study of Velnampy (2013) is based on internal mechanisms, such as board structure, board committee, board meeting, and board size including executive directors, independent non-executive directors, and non-executive directors in order to measure the effect of corporate governance on firm performance. Besides, the studies of Najjar and Abed (2014), and Habib and Jiang (2015) are based on various elements of internal mechanisms of corporate governance in explaining relationship between corporate governance and reporting practices. Furthermore, the studies that have similar idea in point of explaining the effect of corporate governance on IR quality (Vitolla et al., 2020a; Songini et al., 2022) have grounded their hypotheses on internal mechanisms of corporate governance, such as board size, board independence, and various elements of board diversity, and so on. Accordingly, the similar points of these studies are that they focus on internal mechanisms of corporate governance to explain different relations. Board of directors and audit committee has already been regarded as an important part of corporate governance mechanism. In brief, in the view of theoretical background, previous chapters, and considerations of similar studies so far, internal mechanisms of corporate governance is believed to be predominant factor that affects the IR quality. Also, it has been noted already by agency theory (Jensen and Meckling, 1976) that board of directors and auditors have the most important role in the context of reporting quality. Therefore, as it stated in the conceptual framework, six hypotheses are proposed in relation to the internal mechanisms of corporate governance to reveal it’s the effects on IR quality.

5.2.1. The Effect of Board of Directors on IR Quality

In this section of this study, in what aspects of board of directors’ mechanism of corporate governance have an impact on IR quality, is going to be addressed. In this respect, the related hypotheses are going to be developed.

Under the corporate governance regime, many different roles have been undertaken by board of directors, in which its independence, size, and diversity may vary from corporation to corporation. According to Fama and Jensen (1983), there should be a distinction between decision management and decision control on the board level. In other words, the decisions that are made by executives should be controlled by independent members or non-executives. Besides, within the corporations, independent members may intend to prove themselves in respect of their experiences and reputations. Accordingly, it is expected that they can contribute to the information quality (Fama and Jensen, 1983). In this context, the findings also show that there is a significant relationship between quality of voluntary reporting practice, level of information, and number of independent board members (Forker, 1992; Hossain et al., 2005; Vitolla et al., 2020a). Moreover, it believed that independent members contribute to the monitoring activities effectively since they are regarded as non-executives, which may resulted in providing more proper information. In so doing, independent members on the board of directors leads to better transparency and accountability. Simply put, the existence of independent board members are expected to increase the effectiveness of corporate governance mechanisms (Fama and Jensen, 1983; Cadbury, 1992; Frias-Aceituno et al., 2013; Liao et al., 2015), which is expected to improve IR quality respectively. Accordingly, the hypothesis (H1a) below is stated,

H1a: There is a significant relationship between board independence and IR quality.

IR is the combination of different information in a basic mean, which is grounded on integrated thinking. As noted by Frias-Aceituno et al. (2013) that the diversity in the number of board members means that there are people with different experiences, skills, backgrounds and education level, which contributes to the integration process of various information. Accordingly, it is significant that the different ideas should be taken place at the board level, which make it possible to discuss and highlight different perspectives effectively. In so doing, the different members of board can contribute IR quality. In addition, in the literature, the positive results have been found on the board size and information quality that is provided by different reporting practices (Qu et al.2015; Alfraih, 2018; Busco et al., 2019; Vitolla et al., 2020a). Therefore, the board size refers to the total number of executive and non-executive members on the board. However, no ideal board size has been indicated yet, which may vary corporations to corporations. In this context, the larger board size is expected to be determinant of IR quality positively, and the hypothesis below (H1b) is proposed,

H1b: There is a significant relationship between board size and IR quality.

In addition to previous paragraphs, the different number of members are existed on the board, who have different characteristics as well. In terms of this study, board diversity refers to social and cultural differences between genders (Liao et al., 2015). Therefore, it is believed that female members are more capable of problem-solving, developing relationship with different participants, involving in business activities. At this point, as documented by Rovers (2013) that corporations show better performance when woman are part of board of directors. Besides, concerning corporate reporting practices, the positive results can be desired as well. As noted by Post et al. (2011), increases in the board diversity leads to emergence of different ideas that contributes decision making process. In this respect, women are expected to pay greater attention on social, environment and governance matters, which may result in improving information quality in reporting practices. Therefore, the differences in the information quality can be explained by the number of female members on board (Gibbins et al., 1990; Vitolla et al., 2020a). Accordingly, female members can be considered as the most important contributors to reporting practices and its quality. In brief, the existence of female members on board of directors should be the critical consideration, which might have a number of benefits. In this study, the percentage of female members on board is expected to contribute IR quality positively. The hypothesis (H1c) is formulated below correspondingly,

H1c: There is a significant relationship between board diversity (gender) and IR quality.

In conclusion, in order to test the effect of board of directors on IR quality, three different hypotheses were proposed.

5.2.2. The Effect of Audit Committee on IR Quality

Audit committee should be one of the main consideration of corporate governance regime, which is believed to affect IR quality. Therefore, depending on which factors audit committee may affect IR quality is going to be explained through hypotheses as follows.

Within the corporate governance regime, many different business activities and operations are taken place, which are run by a great number of internal participants. Therefore, the business activities of different participants should be monitored and reported to board of directors and shareholders. In this respect, one of the most remarkable role has been taken by audit committee. According to Maassen (1998), audit committee has two critical roles, which is to monitor financial activities of business, and to provide important information to the board level. Therefore, it is expected that the information that are provided by audit committee to the board level, may increase the information quality of IR. On the other hand, a positive relationship has been found between audit committee and firm performance (Laing and Weir, 1999). In so doing, audit committee contributes to find the best ways to deal with information asymmetry (McMullen, 1996), which leads to contribute information quality respectively (Barako et al., 2006). Therefore, the negative impacts of agency problem can be alleviated by the contributions of audit committee. In this respect, the existence of audit of committee is believed to have a positive impact on IR practice. On the other hand, in the view of first hypothesis as well as the previous studies, it is indicated that the number of independent members in audit committee (Cadbury, 1992; Erickson et al., 2005; IoDSA, 2009; Owusu and Weir, 2016; Hichri, 2022), the size of audit committee (Cadbury, 1992; Braiotta, 2000; Karamanou and Vafeas, 2005), and the number of audit committee meetings (Lin et al., 2006) are regarded as the critical determinants in different context. In this respect, it is believed that audit committee's independence, size, and the number of meetings are significant elements of separate decision making mechanism. These elements are desired to make it possible to discuss different views and opinions in audit committee, which can be the leading force behind IR practice. Therefore, audit committee's independence, size of audit committee, and the number of meetings of audit committee can be stated as the critical indicators that affects the IR quality. In this context, three different hypotheses are formulated below which are related to the effect of audit committee on IR quality (H2a, H2b, H2c).

H2a: There is a significant relationship between audit committee independence and IR quality.

H2b: There is a significant relationship between size of audit committee and IR quality.

H2c: There is a significant relationship between the number of audit committee meetings and IR quality.

In brief, IR is stated as a new corporate reporting practice, which is one of the most substantial part of well-functioning corporate governance regime as well. Besides, the reporting quality has been discussed over time in the existing literature. In this manner, IR quality has been the significant factor, which can be explained through corporate governance. For this reason, this study is proposed 6 different hypotheses in order to reveal the effect of corporate governance on IR quality, which is based on board directors and audit committee. The expectation is that there should be positive relationship between corporate governance and IR quality, which is going to be clarified by means of statistical analysis in the subsequent chapters.

CHAPTER 6
RESEARCH METHODOLOGY

The main aim of this chapter of the study is to focus on research methodology, which is referred to as ways, methods or techniques that are embraced by researcher to draw conclusions on research question(s). Therefore, this chapter is focused on the general research approach that is followed by this study. Also, the most appropriate research design that fits with this study and other methodological aspects are going to be covered, which consists of research design, determination of population and sample size, variables and measurement scales, research model, data collection, and data entry and coding.

6.1. Research Design

The main motivation of this is study to measure IR quality, and to reveal the effect of corporate governance as a determinant of IR quality. Therefore, the origin of this study lies in two research questions, which are;

3. To what extent the quality standards are met through integrated reporting practice?
4. What is the effect of corporate governance on integrated reporting quality?

Regarding this study, two main subjects have been come to the fore so far, which are stated as corporate governance, and integrated reporting as a new form of corporate reporting practice. On the other hand, this study has already documented that the quality has been issued as the most critical criteria in the reporting practices, which is considered as a significant factor in IR practice in this context. Simply put, all these have been major points of this study that were covered up to this stage. Besides, one of the most important thing is that making the most appropriate decision on the research design in line with the nature of study that is conducted. Therefore, research design can be regarded as a general plan about how the research question(s) is going to be answered. In this respect, the types of research designs are divided into three main groups, which are qualitative, quantitative and mixed (multiple) design

(Creswell, 2009; Saunders et al., 2012). Also, in accordance with the research design that is chosen, three main research approaches are existed, which are known as deduction, induction and abduction (Saunders et al., 2012). While the deductive approach is mostly associated with quantitative research design, inductive approach is generally followed by qualitative research design. In terms of the development of this study, the quantitative research design is embraced as well as the deductive research approach has been followed in this manner. As noted by Creswell and Plano Clark (2007:23) that the deductive researcher works from the 'top down', from a theory to hypotheses to data to add to or contradict the theory. For this reason, the nature of this research allows to abide deductive approach. It means that rather than shaping a new theory, this study is driven by existing theories (e.g. agency theory, stakeholder theory, legitimacy theory and so on). Accordingly, conceptual framework was drawn as well as six hypotheses were proposed respectively in the light of research questions, theoretical background and review of related literature. Besides, there are three main purposes of research that are connected with research design are called exploratory, descriptive and explanatory (Morris, 2006; Babbie and Mouton, 2010). In this study, the explanatory purposes stand out more than other purposes. Explanatory research is adopted when there is a casual relationship between variables that can explained through correlation (Saunders et al., 2012). It means that explanatory purpose concerns the cause and effect relations between variables. In this context, the explanatory research design is the most proper way to explain the effect of corporate governance on IR quality. In other words, it is assumed that the change in corporate governance will trigger the change in IR quality. As a result of deductive research approach, the hypotheses are expected to be tested. For this reason, in order to find the best answers on research questions, this study is based on quantitative research approach. In this point, the first research question "To what extent the quality standards are met through integrated reporting practice?", is going to be answered through scoring method that is adapted. In this manner, the descriptive statistics are essential to make decision. Secondly, the research question "What is the effect of corporate governance on integrated reporting quality?" is going to be answered through multiple regression analysis, which is come to fore for this study. To put it differently, the hypotheses of this study are built on the idea which are measured and explained in a numerical manner. Consequently, the effect of corporate governance on IR quality has already explained through six hypotheses, which are going to be tested by taking advantages of statistical methods.

6.2. The Determination of Population and Sample Size

Population and sample size is regarded among the key building blocks of research that is conducted. Accordingly, the dealing with the most suitable population and sample size is of great importance in order to reach consistent and valid results. Accordingly, population refers to sum of all or entire group of people, items, objects, reports or events that helps researcher to draw conclusion and generalize the results respectively. However, in most cases, researchers are not able to collect data through all population. Therefore, the number of elements should be selected within the entire population in a manageable size, which is called sample size of the study. In brief, sample size can be regarded as the subgroup of population. The main concern of this study is to test the effect of corporate governance on IR quality. Correspondingly, it is possible to access all the relevant data through the published integrated reports or integrated annual reports, which is vitally critical to make progress in this study. In this context, the population of this study is determined as the each corporation that published an integrated report or annual integrated reports in 2019. As it stated that IIRC (also known as IFRS Foundation) has been considered as one of the most significant organization concerning the contributions that have been made on IR practice so far. Accordingly, the reports which are considered IR Framework or inspired by IR Framework in their annual reporting practice have been indexed in IIRC database in different years. In 2019, 496 corporations are indexed as reporters whose reports are based on IR Framework or inspired by IR Framework in preparation of their annual reports. Besides, this number only represents the reporters that are part of IR network in which the number of reporters are expected to be larger in consideration of different reporters as well. However, it is impossible to take all these reporters' integrated reports or integrated annual reports into account. Therefore, the sufficient number of reports should be selected among the population, in 2019, which is going to form the sample size of this study. Apart from these, in the social sciences, the desired confidence level is usually accepted as 95%. As noted by Saunders et al. (2012) that considering the table of margin of error, the desired sample size should be 217 at the precision level ± 5% when the population is around 500. Also, in the literature, the similar studies that are intended to measure IR quality or to test the effect of different determinants of IR quality have a sample size that varies between 116 and 212 (e.g. Pistoni et al., 2018; Vitolla et al., 2019a; 2019b; Vitolla et al., 2020a; 2020b; Songini et al., 2022). Accordingly, it is one of the most important finding that the sample size of this study should be at least 116 in order to reach consistent and generalizable results. On the other hand, the sampling technique of this research should be the most appropriate one since the integrated reporters have operated in different industries. For this reason, it is believed that considering random sampling method may result in considering more or less sampling from one industry than another. In this manner, it is preferred to consider the stratified random sampling method rather than random sampling method. Stratified random sampling is a method in which the population is divided into two or more subgroups (Saunders et al., 2012). In this study, all 496 integrated reporters that are addressed in IFRS Foundation database were listed in a file. Accordingly, it was realized that the 11 main industries are existed, which are financial services, industrial sector, consumer goods, basic materials, consumer services, telecommunication, technology, healthcare, public sector, utilities, real estate. In addition, it was seen that the majority of population is formed by industries that are financial services, industrial sector and consumer goods. Therefore, the population was divided into 11 subgroups in which the sample size was randomly selected among those reports that had been already categorized in accordance with their industries. Also, in order to make it possible to the comparison between industries, an equal amount of samples from each category is going to be randomly selected. Eventually, the final sample size of this study is determined as 135 integrated reporters in 2019, which is desired to be enough to generalize the findings. In addition, consideration of number of sample size that has been issued by other studies, time limitation, and difficulty in dealing with a large number of sample size can be stated as important reasons behind the determination of sample size as 135.

6.3. Variables and Measurement Scale

Variable is a term that describes the characteristic of an item, organization and so on, which can be measured (Croswell, 2007). In a research that is conducted, the different types of variables can be embraced depending on research question(s), such as dependent, independent, mediating or moderating variables. The rationale behind the research questions of this study pointed out the importance of two main concept, which are corporate governance and IR. Therefore, in this study, the effect of corporate governance on IR quality is intended to be tested, in which relationship is going to be measured by using statistical methods. Accordingly, the nature of this study led to emergence of two main variables, which are dependent and independent variables. The following paragraphs of this study are going to clarify what the main variables of this study are, and how these main variables are going be measured.

6.3.1. Dependent Variable

The outcome of any research is measured through the dependent variable. In this study, IR quality is intended to be measured, which is the outcome of this study. Accordingly, IR quality stands out as the dependent variable of this study. On the other hand, one of the major part of this study is about how IR quality is going to be measured in order to test related hypotheses respectively. As it noted that it has been a critical factor to comply with the set of standards, principles, and framework in order to meet quality criteria (IIRC, 2013; IASB, 2015; ACCA, 2018). In the previous studies, frameworks and standards, which are issued by IFRS and GRI, has already been adapted as a way to measure reporting quality of related financial and non-financial reports (Yurisandi and Puspitisari, 2015; Plumlee et al., 2015; Mahboud, 2017). Therefore, it is believed that the consideration of international integrated reporting framework is essential to meet and improve quality criteria in IR practice. Besides, in the literature, IR quality, which has already been the main consideration of various studies, have mostly measured through scoring related integrated reports or another types of integrated annual reports within a developed scoring method (Pistoni et al., 2018; Vitolla et al., 2019a; 2019b; Vitolla et al., 2020a; 2020b; 2020c; Agustia et al., 2020; Hichri, 2022; Songini et al., 2022). In this respect, the most of those studies have already concentrated on scoring integrated reports, which is based on a scoring method that is grounded on different elements of IR Framework. Accordingly, as noted by Hammond and Miles (2004), there are four main areas which are important in respect of meeting the quality criteria, such as background, content, assurance and reliability, and form. In this context, a scoring method was developed by Pistoni et al. (2018) to measure IR quality in compliance with the elements of IR Framework, which was built on the study of Hammond and Miles (2004) as well. In the following years, the effects of different determinants of IR quality, such as impact of national culture, impact of cost of equity, board characteristics, pressures from stakeholders were issued by Vitolla et al. (2019a; 2019b; 2020a; 2020b; 2020c) in different time periods, which were based on considering a scoring method that was inspired by Pistoni et al. (2018). Also, the sum score of IR quality was determined by considering four main areas that was already mentioned by Hammond and Miles (2004). Besides, the different studies have interested in the different parts of IR Framework in measuring IR quality over the years. For example, while the only content elements of IR Framework was treated as the dependent variable to measure IR quality by Songini et al. (2022), the different elements of IR Framework such as conciseness, accessibility, readibility and clarity of document, reliability, and content elements were taken into account by Agustia et al. (2020) in the matter of developing a scoring approach. Therefore, the findings show that it has been essential to consider IR Framework in the matter of measuring IR quality. Although the most of those studies have already focused on IR Framework to measure IR quality, it is noticed that IR Framework has been addressed to some extent rather than considering framework as a whole that was drawn by IIRC. According to Unerman (2000), in order to measure reporting quality, elements that are determined should be addressed within all its aspects. From this perspective, it is believed that IR Framework, which is issued by IIRC in 2013, has not been taken into consideration yet in an exact manner to develop a scoring method. This is indicated as the important motivation behind of this study, which is believed to contribute to the creation of a better scoring approach. Accordingly, in the view of IR Framework (IIRC, 2013), and Pistoni et al. (2018), a scoring method is going to be developed to measure IR quality (IRQuality). This scoring method is going to be grounded on the main areas of IR Framework in a complete manner. This is indicated as one of the most significant points that distinguish this study from others as well.

As it noted by IIRC (2013) that IR Framework consists of three main areas, which are fundamental concepts, guiding principles and content elements. In this framework, three fundamental concepts, seven guiding principles and eight contents elements have been addressed. Therefore, a total of 18 questions are going to be asked to measure IR quality, which are adapted from IR Framework of IIRC (2013). On the other hand, one of major parts is to make decision on what range should be considered in the scale. Accordingly, the range between 0 and 5 was considered by the most of previous studies that were built on scoring approach, in which 0 represents the absence of information and 5 represents the excellent description or information (Pistoni et al., 2018; Vitolla et al., 2019a; Agustia et al., 2020; Vitolla et al., 2020a; Songini et al., 2022). In other words, the 6 point Likert scale was considered to measure IR quality. However, in this study, there are 18 items which are expected to be measured by asking related questions. Therefore, using 6 point Likert scale might result in increasing the total score of each integrated report. In this manner, each element of IR Framework is expected to be answered by a question in three main areas, which are based on 4 point Likert scale (see Appendix 1). It is believed as the most appropriate way to measure IR quality and to reach more consistent results as well. Even though the description of 4 point Likert scale may vary in accordance with the nature of items (e.g. conciseness can be associated with the number pages), all of questions are abided by determined scoring method, which is based on 0=Absence of information; 1=Poor; 2=Balanced; and 3=Excellent. As a result of these stages, the maximum score that can be associated with an integrated report is 54. The integrated reports in which their score is close to the maximum point are estimated to be highly informative, which is important in terms of meeting information quality. Furthermore, the scale of measurement is based on the interval scale because there is no absolute 0 point, in which the total scores are estimated to be distributed around the maximum score. Besides, the more information, which are related with the scoring method that was adapted, are accessible in appendix 1. In brief, the dependent variable of this study is expected to be measured through a scoring method that was addressed, which is integral part of this study to test related variables.

6.3.2. Independent Variables

Independent variables are referred to as the manipulation of researcher. Therefore, the dependent variable is predicted by independent variable(s). In this study, IR quality is intended to be predicted by means of six independent variables that have been already mentioned in the hypotheses development section (see section 5.2.). Accordingly, the independent variables are listed as board independence, board size, board diversity (gender) as well as audit committee independence, audit committee size, and audit committee meeting, which are expected to be factors that affect IR quality respectively. Therefore, the independent variables of this study are treated under 2 main mechanisms of corporate governance, which are board of directors and audit committee. Independent variables of this study also are going to be measured as it will issued below.

1) In this study, board of directors are expected to be one of the critical determinants of IR quality, which is explained through 3 independent variables. First of all, board independence (BoardIndp) is treated as one of the independent variables of this study. It is going to be measured through the percentage of independent members on the board of directors (Frias-Aceituno et al., 2013). The scale of measurement is the ratio scale. Secondly, board size (BoardSize) is another independent variable of this study. It is going to be measured through the total number of members on the board of directors (Frias-Aceituno et al., 2012; Busco et al., 2019). Accordingly, interval scale measures the size which is the most suitable scale of measurement. Lastly, the board diversity (BoardFem) is regarded as another independent variable, which refers to gender diversity on board of directors. It is going to be measured by the percentage of female members on the board of directors (Frias-Aceituno et al., 2013; Liao et al., 2015). The scale of measurement of board diversity is the ratio scale.
2) The audit committee is the independent variable of this study, which is divided into 3 sub-hypotheses. Therefore, there are 3 different independent variables in connection to the effect of audit committee on IR quality. It is stated that the number of independent members on audit committee is important to deal with information asymmetry and to increase performance (Erickson et al., 2005; Chan and Li, 2008). Therefore, it is believed that existence of independent members can contribute to the IR quality positively. In this study, the audit committee independence (AudComIndp) is going to be measured by the percentage of independent members on the audit committee. Secondly, the size of audit committee is desired to be another determinant of IR quality. A larger size might mean that discussing the different ideas in audit committee (Karamanou and Vafeas, 2005), which can contribute to the board level and IR quality respectively. Accordingly, the audit committee size (AudComSize) is going to be measured by the total number of members on the audit committee. Lastly, it is believed that the number of the audit committee meetings is a

critical factor that leads to an increase in the effectiveness of monitoring activities (Lin et al., 2006) which may result in provide reliable and consistent information. Therefore, a high number of meetings can increase IR quality. The number of audit committee meetings (AudComMeet) is going to be measured through the total number of meetings that were held in 2019. In this study, while the percentage of independent members is measured on a ratio scale, audit committee size and number of meetings are based on an interval scale.

6.4. Research Model

The main aim of this study is to reveal the effect of corporate governance on IR quality, which is going to be tested by statistical methods. On the other hand, it has been addressed in the conceptual framework that there are two main factors which are expected to have an impact on IR quality as a part of the corporate governance mechanisms. Therefore, six different hypotheses were formulated under two main sections, which are board of directors and audit committee. In the light of hypotheses, and dependent variable and independent variables, two main models are developed as well as the following equations are proposed. These models are regarded as the multiple regression models as well, which are intended to be tested.

<u>Model 1: The effects of board of directors on IR quality</u>

IRQuality = β0 + β1BoardIndp + β2BoardSize + β3BoardFem + e

<u>Model 2: The effect of audit committee on IR quality</u>

IRQuality = β0 + β1AudComIndp + β2AudComSize + β3AudComMeet + e

Accordingly, the first regression model intends to predict the effect of board of directors on IR quality, and the second regression is based on predicting the effect of audit committee on IR quality. 3 different independent variables are associated with each model in which IR quality is the dependent variable of both models.

6.5. Data Collection

In this study, the related data should be collected in order to test the effect of corporate governance on IR quality. In this study, 135 integrated reporters are determined as the sample size. Therefore, the necessary data should be reached within published integrated reports or alternatively in integrated annual reports that are inspired by IR

Framework, in 2019, so as to measure IR quality. Accordingly, in the website of IFRS Foundation (formerly known as Value Reporting Foundation, and IIRC), the various reporters, which reports are grounded on IR Framework or are inspired by IR Framework (e.g. annual reports) as part of IR network, are accessible under the section of reporters (see https://examples.integratedreporting.org/ir-reporters/). Also, the nature of integrated report or integrated annual report allows to contain information about board of directors and audit committee, in which these information are expected to be accessible in the related reports. Otherwise, this information is planned to be accessed through the corporate governance reports or other types of reports that are associated with those information. Accordingly, in this study, the data are going to be collected from the secondary source through the database of Integrating Reporting Foundation (formerly known as IIRC) as well as in the website of reporting entities. In this respect, there is a minimal researcher interference. Also, depending on COVID-19, the main concern of this study has been the integrated reports that were published during 2019. For this reason, the most of corporations and other size firms have been deeply affected by unexpected conditions of COVID-19 so far. It is believed that the undesirable circumstances have been the part of corporations, which have been issued in their corporate reporting practice as well. With respect to COVID-19, the consideration of integrated reports that were published in 2020 or in 2021, may result in reaching inconsistent results. Accordingly, this is the reason behind why year 2019 was preferred. Eventually, the data were collected between December 2021 and March 2022 from the integrated reports that were published and addressed on the previously mentioned website.

6.6. Data Analysis Technique, Coding and Entry

This study is built on quantitative research design, which is based on statistical analyses in order to answer research questions, to reach findings, and to achieve objectives. In this manner, the most suitable data should be collected for further steps among the population, which was discussed previously. After those stages, data must be ready for statistical analyses that are intended to be conducted. In this study, data analyses are based on the interpretation of statistical results that are expected to be reached through preliminary data analyses, descriptive statistics, and multiple regression analysis. Additionally, these techniques were determined depending on the nature of quantitative data. In this context, it is an essential step to take advantage of a number of developed software, which are the most preferable way to conduct statistical analyses, such as IBM SPSS, Minitab, and STATA and so on. In the social sciences, SPSS (Statistical package for the social sciences) have been always addressed as one of the most functional ways to reach statistical results. Therefore, in this study, data are going to be analyzed through SPSS 23.0.

Data must be coded and entered to the SPSS in order to take further actions as well. In accordance with the main aim of this study, the relationship between variables which were formulated previously must be tested. Therefore, in order to test these relationships, both the dependent and independent variables are expected to be measured in a different ways as it was addressed. Accordingly, IR quality (IRQuality) as a dependent variable of this study was measured in 4 point Likert Scale. Initially, the parts of reports that were related with the questions as indicated in the scoring method (see Appendix 1) were found. Subsequently, the related parts of each integrated report or integrated annual report were evaluated on the basis of 4 point Likert scale, which range between 0 and 3. Accordingly, the related answers were coded in SPSS, which were referred to as 0=Absence of information; 1=Poor; 2=Balanced; and 3=Excellent. Furthermore, as it stated in the previous section (see 6.2.) that stratified random sampling was considered as sampling method which resulted in dividing population into 11 subgroups in accordance with the industries where the reporting entities operate. In this context, the industries were associated with the reporting entities, in which it was coded as 1= Financial Services; 2=Basic Materials; 3=Industrials Sector; 4=Consumer Goods; 5=Public Sector; 6=Utilities; 7=Consumer Services; 8=Technology; 9=Health Care; 10=Real Estate; 11=Telecommunication. These information are believed to be important for the descriptive statistics and for comparing the scores of IR practices in different industries.

Apart from these stages above, the data that were related with independent variables of this study, were entered in SPSS. In this respect, the essential data were obtained through integrated reports, integrated annual reports or corporate governance reports alternatively. The data, which were related with the percentage of independent members on the board of directors, board size, and the percentage of female members on the board of directors (board diversity) as well as the percentage of independent members on the audit committee, audit committee size, and number of audit committee meetings were entered in SPSS numerically. In addition, the percentages of related data were calculated concerning a simple calculation under the situation in which the percentages of related data were not issued in the reports. Consequently, data were made ready for further analyses on SPSS, in which the analyses, and results and discussions are going to be covered in the next chapter.

CHAPTER 7
RESULTS OF DATA ANALYSES AND DISCUSSION

The main idea of this study is to reveal the effect of corporate governance on IR quality. Accordingly, the different hypotheses were proposed in order to test this relationship, which were addressed in the previous chapters. Therefore, data were collected by means of scoring related integrated reports or integrated annual reports to measure dependent variable. Moreover, other important data were collected in those reports, which were associated with the independent variables of this study. However, before going through major analyses, data must be ready for the statistical analyses. After the data collection process, data were coded and entered into SPSS, which contributed to making data ready for statistical analyses. After these stages, data are going to be checked by means of using SPSS 23.0. Accordingly, preliminary data analysis, descriptive statistics, basic assumptions, and reliability test is going to be addressed. Subsequently, the major analysis is going to be considered, which is determined as multiple regression analysis. In so doing, the effect of corporate governance on IR quality is expected to be documented by means of testing hypotheses that were proposed. In conclusion, the main aim of this chapter is to focus on the data analyses in order to reach expected findings. The statistical results are going to be presented and discussed in this respect. While the discussion of preliminary data analyses and descriptive statistics are preferred to be addressed under the related section, the discussion of multiple regression analysis is issued as a separate section. In so doing, the research questions of this study are going to be answered, which is vitally significant to conclude this study.

7.1. Preliminary Data Analyses

The role is taken by preliminary data analysis in point of checking, editing and presenting data numerically. Initially, preliminary data analysis should be taken place (Blischke et al., 2011), which consists of process such as preparing, inputting and checking data for further analysis (Saunders et al, 2012). In the previous chapter of this study, it was mentioned how data were coded and entered into SPSS. Accordingly, data should be valid without missing value, which is going to be presented in the case processing summary below (see Table 7.1.).

Table 7.1. The Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
IR Quality	135	100%	0	0%	135	100%
Board Independence	135	100%	0	0%	135	100%
Board Size	135	100%	0	0%	135	100%
Board Diversity (Female)	135	100%	0	0%	135	100%
Audit Committee Independence	135	100%	0	0%	135	100%
Audit Committee Size	135	100%	0	0%	135	100%
Audit Committee Meeting	135	100%	0	0%	135	100%

In table 7.1., it is observed that data were correctly entered into SPSS, which have no missing values in relation to dependent variable and independent variables. Accordingly, it is documented that number of variables that were entered fit with the sample size. Besides, it is expected that coded values must fall within the range that is determined. In this study, IR quality is measured by 4 point Likert scale, which values should fall within 0 and 3. Accordingly, the minimum and maximum values of each 18 item of IR Quality were checked. Since it would be difficult to include all of items one by one, it is not preferred to present these information. The results indicates that all values are between the range 0 and 3 (see Table 7.4. also). Besides, in some situation, extreme or unusual values can be observed, which are known as outliers. The large number of outliers might cause undesirable consequences, which should be dealt with before further analyses. In this study, there are 135 different cases in relation to each variable, in which the existence of outliers are checked and presented in figure below (see Figure 7.1.).

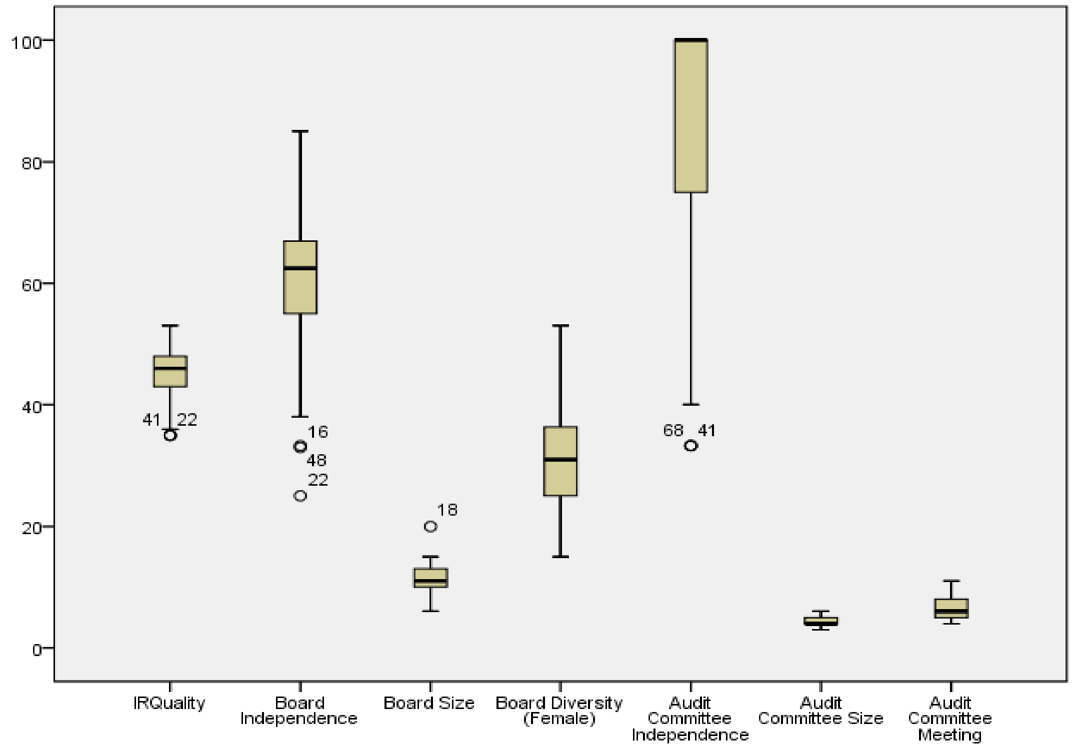

Figure 7.1. Outliers in Variables

The outliers of dependent variable and independent variables are shown in figure 7.1., which indicates that 6 different outliers are existed, in which some of them are common (e.g. cases 41 and 22). Accordingly, in terms of dependent variable (IRQuality), the cases 41 and 22 are determined as outliers. In other words, the lowest scores are associated with those cases in explaining IR quality. On the other hand, 6 outliers are determined in respect of independent variables, which are cases 16, 22 and 48 for board independence, case 18 for board size, and cases 68 and 41 for audit committee independence. However, as it is seen in the figure that the outliers of the related variables are so close to the lowest and highest boundary of the box plots. Therefore, these cases cannot be considered as extreme values, which would have a great impact on this study. Besides, from perspective of any studies that have a small sample size, extreme outliers may cause number of problems. In this study, it is estimated that sample size is sufficient enough to deal with these cases as long as they are slightly different than the lowest values. At the end of these stages, it is decided that the data, which were coded and entered, are free from any major errors. It means that the further analysis should be considered in order to reach results.

7.2. Descriptive Statistics

In the data analysis, the important contributions are made through the consideration of descriptive statistics. Some basic issues, such as central tendency of data, mode, median, mean, range of data (dispersion), standard deviation are considered by means of descriptive statistics (Saunders et al., 2012). In other saying, descriptive statistics help researcher to describe and compare variables in a numerical manner. Also, the important aspects of data are visualized in this section of study. In so doing, the basic assumptions of data are able to be checked. On the other hand, descriptive statistics are going to help to find answers on the first research question as well. Therefore, the descriptive analysis are indicated as follows.

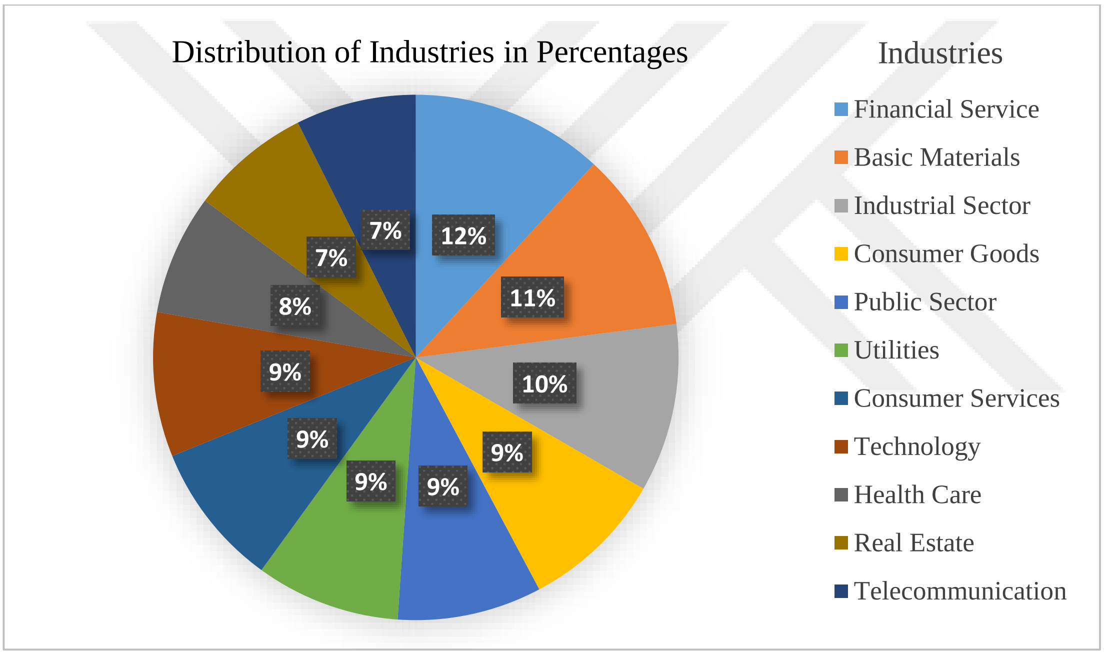

Figure 7.2. Distribution of Sample Size in Industries

In this study, the population was divided into 11 subcategories as a part of stratified random sampling in relation to industry in which reporting entities operate. By means of considering different industries, it is expected to measure IR quality more consistently, which contributes to the generalizability of the results. Therefore, the 11 main industries that are indexed in IFRS Foundation database (formerly known as IIRC) are illustrated in figure above (see Figure 7.2.). Even though the sample size was tried to be selected in close quantities to each other from different industries, the majority of sample size is represented by financial service. This is because of the most of integrated reporters operates in the financial service industry that are indexed in database. In addition, the figure 7.2. shows that while the majority of the reporters operates in financial service, basic materials and industrial sector, the minority of reporters fall within the industries such as telecommunication, real estate and health care. According to Eccles and Spiesshofer (2015) that financial reporting, sustainability reporting and IR are the major parts of corporate reporting practice. This can be explained by the fact that financial service industry, basic material industry and industrial sectors should focus on different forms of reporting practices more than other industries since they attract more investors. Accordingly, this can be resulted in the combination of financial and nonfinancial reporting by IR practice. On the other hand, in the following table (see Table 7.2.), the scores that are associated with IR quality is demonstrated.

Table 7.2. Scores of IR Quality in Industries

	Scores of IR Quality			
Industry	Minimum	Maximum	St. Deviation	Mean
FinancialService	36	50	3.87	44.19
BasicMaterials	35	52	4.88	46.07
IndustrialSector	35	51	4.3	45.71
ConsumerGoods	36	50	4.71	44.25
PublicSector	41	48	2.27	45.33
Utilities	40	49	2.87	45.42
ConsumerServices	39	49	3.07	46.00
Technology	35	48	3.85	44.50
HealthCare	37	53	4.55	45.00
RealEstate	38	50	3.35	45.10
Telecommunication	41	49	2.67	45.30
Industry average				45.17

Increasing information quality should be one of the most significant factors from the point of reporting entities. The results, which are presented in the table above, indicate that the average score is 45.17 out of 54 for the score of IR quality (54 represents the maximum score in 4 point Likert scale), which is believed to be sufficient in order to satisfy the information needs of user of reports. Also, it is seen in the table that the average IR scores of each industry is close to the sum of the average IR score of industry. In addition, the standard deviation of scores of IR quality indicates that dispersion from mean value is not high. Accordingly, no significant difference is observed within the IR quality score in various industries. Therefore, it a significant evidence that the consideration of IR Framework leads to increase IR quality. In other words, the quality standards in IR practices are met by most of reporting entities on the basis of IR Framework, which contributes to IR quality in a similar way. It is vitally important finding to answer the first research question as well. Apart from these, the scores of IR quality are above the average in some industries, such as basic materials, industrial sector, public sector, utilities, consumer service and telecommunication. Accordingly, these industries can be regarded as one of the most successful integrated reporters, in which basic material industry stands out among them with a mean score 46,07. The maximum scores that were taken fell within these industries as well.

In this study, all information that are related with IR quality, were obtained through scoring method (see Appendix 1). Although the related scoring method was adapted and developed in the view of existing literature (IIRC, 2013; Pistoni et al., 2018), it is required to check the descriptive statistics and reliability of 18 items of scoring method.

Table 7.3. Descriptive Statistics of Items

Items No	N	Minimum	Maximum	Mean	Std. Deviation
No1	135	1	3	2.62	.558
No2	135	1	3	1.99	.579
No3	135	1	3	2.54	.570
No4	135	2	3	2.53	.501
No5	135	1	3	2.53	.530
No6	135	1	3	2.49	.516
No7	135	1	3	2.42	.511
No8	135	1	3	2.09	.738
No9	135	1	3	2.39	.532
No10	135	1	3	2.53	.544
No11	135	1	3	2.62	.531
No12	135	1	3	2.64	.527
No13	135	1	3	2.57	.540
No14	135	1	3	2.62	.516
No15	135	1	3	2.61	.518
No16	135	2	3	2.65	.478
No17	135	1	3	2.64	.496
No18	135	1	3	2.67	.486
Valid N (listwise)	135				

This study is based on measuring IR quality in 4 point Likert scale, which is shown in the table above (see Table 7.3.) that all answers are within the range. Although the average score of IR quality can be considered as satisfactory, it is believed that the some items could be less considered than other items of IR Framework by reporting entities. Accordingly, the answers that were coded as 0 and 1, could have had a great negative effect on the overall quality of IR practice. Therefore, the frequencies of each item were checked on SPSS to detect the items that were associated with 0=Absence of information and 1=Poor. In this respect, the table 7.3. demonstrates that there are no answers which are associated with 0=Absence of information. Also, it is observed that the mean values and standard deviations of each item are close to each other except item no 2 and 8. While item no 2 has the lowest mean value (*M*= 1.99) item no 8 has both one of the lowest mean values and the highest standard deviations (*M*= 2.08, SD= .738). Therefore, the frequencies of these items are going to be checked on SPSS, which are presented in the following table (see Table 7.4.).

Table 7.4. The Frequencies of Items of IR Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
The capitals are explained					
Valid	Poor	23	17.0	17.0	17.0
	Balanced	90	66.7	66.7	83.7
	Excellent	22	16.3	16.3	100.0
	Total	135	100.0	100.0	
Information are presented in a concise manner					
Valid	Poor	31	23.0	23.0	23.0
	Balanced	61	45.2	45.2	68.1
	Excellent	43	31.9	31.9	100.0
	Total	135	100.0	100.0	

The frequencies of items were checked, which were issued in table 7.4. in relation to item 2 and 8. Accordingly, table above shows that these items are related with the capitals and conciseness. The capitals were explained poorly in 23 integrated reports as well as information that were presented were not in concise manner in 31 integrated reports. According to IR Framework (IIRC, 2013), capitals are the part of fundamental concepts, which are based on consideration of six capitals by reporting entities. The considerations of some capitals may vary in line with the industry where corporations operate such as manufactured capital. In today's business world, it is clearly seen that the capitals, such as financial, intellectual, human, social and relationship, and natural fall within the outlook of corporations in different extent. However, it is indicated that 23 integrated reporters were failed at explaining capitals in a complete or satisfactory manner. According to IIRC (2011), business environment demands to be informed how resources or capitals are used by corporations. Also, the awareness on environmental factors are critical to increase importance of some capitals such as natural. Therefore, it is expected that the most basic capitals should be discussed by reporting entities under today's conditions. On the other hand, one of the most significant aim of IR practice is to combine all necessary information in a complete and concise manner by means of integrated thinking (IIRC, 2013). On the contrary, 31 integrated reporters were unsatisfactory to meet principles of conciseness. During the scoring stage, it was noticed that the some integrated reports are over 200 pages, which proves the opposite of the principle of conciseness. As it noted in the literature that complexity and length of reports lead to undesirable results, which contribute to the decision making process of users of information negatively (Cleverly et al., 2010; IIRC, 2011; Eccles and Saltzman, 2011; de Villers et al., 2014). This is regarded as one of the reasons behind emergence of IR as well. In this manner, the findings show that it is common in some part of sample size to ignore or insufficiently consider the same two elements of IR Framework, which are capitals, and conciseness (conciseness is associated with the length reports). Therefore, it is resulted in affecting the IR quality in a negative manner, which reveals the significance in the matter of considering each element of framework together with capitals and conciseness. This is a significant finding on first research questions to make decision on to what extent standards are met. However, when the complete picture is considered, it is still concluded that reporting quality has been met so far by different reporting entities in an adequate manner.

After these considerations, it is intended to check the reliability of items. According to Saunders et al., (2012), reliability is a way to measure internal consistency of the items of scale, in which Cronbach's Alpha is most preferable method to do so. Therefore, in this study, the scoring method is based on 18 items, which internal consistency is measured through Cronbach's Alpha. The related result are addressed in the following table (see Table 7.5.).

Table 7.5. Reliability Test (Cronbach's Alpha)

Cronbach's Alpha	No. of Items
.66	18

In the literature, even though the level of Cronbach's Alpha is preferred to be .70, there are different views on the acceptable level (George and Mallery, 2003; Hair et al., 2010). According to Ursachi et al. (2015), general rule suggest that the range between 0.60 and 0.70 is considered as the acceptable level of Cronbach's Alpha. In this study, the result of reliability test shows that the Cronbach's Alpha is 0.66, which is close to 0.70, and between acceptable level (0.60 and 0.70). Therefore, it is stated that each 18 item is consistent to each other. On the other hand, IR Framework consists of 3 main sections, which have different number of concepts, principles and elements. While there are 3 fundamental concepts, IR Framework have also 7 principles and 8 content elements. Unequal distribution of items in 3 different categories might have affected the internal consistency in this regard. It can be preferred to remove some of items to increase the internal consistency or to add new items. However, one of the main aim of this study is to measure IR Quality by adhering the IR Framework in a complete manner. In this context, none of items were excluded to comply with IR Framework, and reliability condition is accepted.

Apart from the descriptive statistics that have been issued so far, it is essential to consider descriptive statistics of dependent variable and independent variables of this study, which is going to contribute to make basic assumptions as well. Accordingly, these issues are going to be covered in the view of following table (see Table 7.6.).

Table 7.6. The Descriptive Statistics of Variables

		IR Quality	Board Independence (in %)	Board Size	Board Diversity (Female) (in %)	Audit Committee Independence (in %)	Audit Committee Size	Audit Committee Meeting
N	Valid	135	135	135	135	135	135	135
	Missing	0	0	0	0	0	0	0
Mean		45.17	60.373	11.31	32.060	84.258	4.09	6.59
Median		46.00	63.000	11.00	33.300	100	4.00	6.00
Mode		47	66.7	11	33.3	100	4	6
Std. Deviation		3.731	10.5199	2.079	7.2608	19.3115	.696	1.594
Minimum		35	25.0	7	17.0	33.3	3	4
Maximum		53	81.8	20	53.0	100	6	11

In accordance with the main aim of study, two main variables have been considered, in which the relationship between these variables are expected to be explained by means of statistical methods. Therefore, the descriptive statistics can provide basic insight about dependent variable and independent variables. IR quality is the outcome of this is study, which is desired to be affected by internal mechanisms of corporate governance such as board of directors and audit committee. In this manner, IR quality is the dependent variable of this study, in which the related data of dependent variable is associated with the score of IR quality. In the table 7.6., mean value shows the average score of IR quality, likewise, it was issued in the comparison of industries. Also, the maximum score of IR quality is 53 and minimum score is 35. Accordingly, it is believed that the mean value is good enough if the maximum score is considered. Besides, the dispersion from value is 3.73 (St. Dev.) which can be accepted as satisfactory. In this context, by means of scoring method that was adapted, in this study, the quality of IR practices were measured. The findings, which are reached through the descriptive statistics, indicates that IR quality is met and increased through the consideration of IR Framework. Therefore, these findings are critical to answer first research question.

In this study, in line with second research question, it is intended to measure the effect of corporate governance on IR quality. For this reason, six different independent variables are taken into account as it mentioned, which are board independence, board size, board diversity (gender), audit committee independence, audit committee size, and audit committee meeting. Accordingly, the descriptive statistics that are related with these independent variables are issued in the table 7.6. as well. However, it is believed that it makes more sense to the consideration of related variables under two mechanisms of corporate governance in accordance with the conceptual framework and research models. Correspondingly, the mean value shows that the average percentage of independent members on the board is 60.37%, the average board size is 11.31 and the average percentage of female members on the board of directors is 32.06%. The board size may differ depending on various factors, such as industry, number of members, national and cultural impacts and so on. However, it is believed that larger board size is critical in dealing with many different challenges and problems. Also, the number of independent members and female members are believed to as other important determinants of IR quality in terms of this study. Therefore, the related mean values indicate that out of 11 members, approximately, 7 members are independent and 4 members are women. In the view of this finding, the level of board independence can be stated as satisfactory, which may help to deal with information asymmetry and other significant problems. On the other hand, the related mean value reveals that there is a huge difference in gender diversity, in which women have the smallest percentage on the board of directors. Finally, the more consistent results are going to be reached through multiple regression to prove the effect of board of directors on IR quality.

The audit committee is one of the integral parts of corporate governance, in which the percentage of independent members on the audit committee, audit committee size, and number of audit committee meetings are represented in table 7.6. It is noted that audit committee should consist of at least 3 independent members (IoDSA, 2009). In this respect, it is documented in the table above that minimum audit committee size is 3 as well as audit committee consist of 4 members as mean value indicates. Also, mean value is 84.258% for the percentage of independent members on the audit committee, in which almost each member can be reported as independent members. Under today's conditions, the independence of audit members have a great importance to deal with number of problems and to contribute to information quality. In this context, the percentage of independent members on the audit committee can be accepted as satisfactory to contribute IR quality. In addition, mean value for number of audit committee meetings is reported as 6.

The standard deviations are also addressed in the table 7.6. that represents the dispersion of data, which means how data are spread around mean values. Therefore, in order to consistency of results, low standard deviation is desirable. The standard deviations of IR quality, board size, audit committee size and number of audit committee meetings show that data are narrowly spread, which is important for reliability. On the contrary, standard deviation is high for board independence, board diversity and audit committee independence, which reveals that data are widely spread. In brief, the standard deviation is desirable to be close to the mean value, but it does not mean that research models of this study are invalid. Also, the table 7.6. gives idea about the distribution of data as well. The relation between mean and median value are critical to make interpretation on data distribution, which is intended to be normally distributed. Therefore, the further analysis is going to be considered for more accurate results.

7.3. Multiple Regression Analysis

7.3.1. The Rationale behind Multiple Regression Analysis

In terms of a research, which is conducted, there are some vital consideration before advancing through subsequent steps such as research question(s) and objectives of study. After these steps, the nature of research begins to take shape, in which the research design is the most important element to find the best answers on research questions. Accordingly, this study is based on quantitative research design which main aim is to answer research questions by means of statistical methods. On the other hand, in order to find the most appropriate statistical analysis method, some issues should be considered. The main motivation behind the quantitative design is to explain how one variable relates or have effect to other variable(s). According to Saunders et al. (2012), all these processes are related to what researcher intends to explain considering theory, which results in significance and hypothesis testing. Therefore, in the light of research problems, theoretical background and review of existing literature, one of main aims of this study is to test effect of corporate governance on IR quality. The relationship between corporate governance and IR quality is expected to be clarified through the consideration of different variables, which have been already indicated in the hypotheses development sections. In this context, IR quality is the outcome of this study, which is expected to be explained by the effect of board of directors and effect of audit committee. Therefore, this study consists of 6 independent variables and 1 dependent variable, which are measured in interval and ratio scales. Accordingly, the multiple regression analysis is based on regression model, which is the most efficient way in explaining the effect of two or more independent variables on one dependent variable (Saunders et al., 2012). Also, the measurement scale must be metric for dependent and metric or nonmetric for independent variables in order to test the relationship between variables (Hair et al., 2010). Accordingly, this study fits with the conditions of multiple regression analysis. The relationship between independent variables and dependent variable is going to be tested and explained by means of multiple regression analysis. In this respect, the following regression models are proposed,

<u>Model 1: The effect of corporate governance on IR quality</u>

IRQuality = β0 + β1BoardIndp + β2BoardSize + β3BoardFem + e

<u>Model 2: The effect of audit committee on IR quality</u>

IRQuality = β0 + β1AudComIndp + β2AudComSize + β3AudComMeet + e

In the previous chapters, all the related information about dependent and independent variables were addressed. Accordingly, the regression models above intends to be tested, and results are going to explained and discussed respectively. However, before conducting the multiple regression analysis, some basic assumptions should be considered. These basic assumptions are known as normality, linearity, homoscedasticity, and multicollinearity, which should be met (Osborne and Water, 2002; Hair et al., 2010; Saunders et al., 2012). In this context, the basic assumptions are going to be checked flowingly in order to run multiple regression analysis.

7.3.2. Assumption of Normality

Normality can be regarded as the most basic assumption that should be met, which is about the distribution of data. Therefore, there are some methods that helps to make decision on distribution of data. Accordingly, mean and median value should be close to each other, which proves that data are symmetric. It is an important consideration for normal distribution as well. On the other hand, as it stated noted by Saunders et al. (2012), skewness and kurtosis value should be considered to make decision on data distribution. While some researchers indicates that skewness and kurtosis value should fall between -2 and +2 for normal distribution (George and Mallery), others believe that conditions of normal distribution are provided if skewness is between -2 and +2, and kurtosis is between -7 and +7 (Hair et al., 2010). In the light of these considerations, distribution of data are going to be covered in the table below (see Table 7.7.)

Table 7.7. The Distribution of Data

Variables	Mean	Median	Skewness	Kurtosis	Results
IRQuality	45.17	46.00	-.839	.506	Normally Distributed
Board Independence	60.373	63.000	-.880	.990	Normally Distributed
Board Size	11.31	11.00	.442	1.045	Normally Distributed
Board Diversity (Female)	32.060	33.300	.380	-.139	Normally Distributed
Audit Committee Independence	84.258	100	-.923	-.188	Normally Distributed
Audit Committee Size	4.09	4	.013	-.585	Normally Distributed
Audit Committee Meeting	6.59	6	.423	-.366	Normally Distributed

The table above shows that for each variable, the mean value is close to median value as well as skewness and kurtosis value is between -2 and +2, in which the data are called normally distributed for both dependent variable and independent variables of this study. As a result, the normality assumption is met by variables.

7.3.3. Assumption of Linearity

Multiple regression analysis is well-functioning when there is a linear relationship between dependent and independent variables. One of the most basic way is to consider correlation between dependent and independent variables in which the significant relationship indicates linearity. Accordingly, the linearity assumption is checked through correlation analysis, which is considered on the basis of model 1 and model 2. Accordingly, the Pearson Correlation (also known as r) shows the linearity between variables, which should be ranged between -1 and +1. While the value that is close to +1 represent positive linear relationship, the value that is close to -1 shows negative linear relationship. The table 7.8. shows the linearity assumption for model 1 below.

Table 7.8. Linearity Assumption for Model 1

		IRQuality	Board Independence	Board Size	Board Diversity (Female)
IRQuality	Pearson Correlation	1	.623**	.540**	.552**
	Sig. (2-tailed)		.000	.000	.000
	N	135	135	135	135
Board Independence	Pearson Correlation	.623**	1	.493**	.404**
	Sig. (2-tailed)	.000		.000	.000
	N	135	135	135	135
Board Size	Pearson Correlation	.540**	.493**	1	.439**
	Sig. (2-tailed)	.000	.000		.000
	N	135	135	135	135
Board Diversity (Female)	Pearson Correlation	.552**	.404**	.439**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	135	135	135	135

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

The table 7.8. shows that there is a significant and positive linear relationship between variables, which are IR Quality and Board Independence ($r= .623$, $p< .05$), IR Quality and Board Size ($r= .540$, $p< .05$), and IR Quality and Board Diversity (Female) ($r= .552$, $p< .05$). Accordingly, the linearity condition is met for model 1. As a next step, the linearity assumption is checked for model 2, which is illustrated in the next table (see Table 7.9.).

Table 7.9. Linearity Assumption for Model 2

		IRQuality	Audit Committee Independence	Audit Committee Size	Audit Committee Meeting
IRQuality	Pearson Correlation	1	.710**	.304**	.717**
	Sig. (2-tailed)		.000	.000	.000
	N	135	135	135	135
Audit Committee Independence	Pearson Correlation	.710**	1	.088	.636**
	Sig. (2-tailed)	.000		.308	.000
	N	135	135	135	135
Audit Committee Size	Pearson Correlation	.304**	.088	1	.430**
	Sig. (2-tailed)	.000	.308		.000
	N	135	135	135	135
Audit Committee Meeting	Pearson Correlation	.717**	.636**	.430**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	135	135	135	135

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

The table 7.9. demonstrates that there is a significant and positive linear relationship between IR Quality and Audit Committee Independence ($r = .710$, $p < .05$), IR Quality and Audit Committee Size ($r = .304$, $p < .05$), and IR Quality and Audit Committee Meeting ($r = .717$, $p < .05$). Accordingly, the model 2 meets the linearity condition for further analysis.

7.3.4. Assumption of Homoscedasticity

According to Osborne and Water (2002) and Saunders et al. (2012), homoscedasticity refers to the situation when there is similar level of variance for each independent variable. Accordingly, the homoscedasticity is checked through the scatterplots for each independent variable, the results show that there are same level of variance for each independent variable on the line of scatterplots. Therefore, the assumption of homoscedasticity is met by model 1 and model 2.

7.3.5. Assumption of Multicollinearity

With regard to the consistency of results, independent variables should have slight or no correlation to each other, which means that one independent variable should not be explained by other independent variable. Otherwise, the condition is named multicollineartity or collinearity, in which high correlation between independent variables may result in multicollinearity (Saunders et al., 2012). Therefore, the independent variables should be free from multicollinearity. In this sense, in the view of correlation analysis that was conducted (see Table 7.8. and 7.9.), it is observed that no high correlation is existed between independent variables, which reveals there is no multicollinearity. On the other hand, according to Hair et al. (2010), tolerance and variance inflation factor (VIF) should be considered to measure whether there are multicollinearity between independent variables or not. Also, it is added that expected level should be VIF<0.4 and tolerance>0.2. In this study, the related analysis was considered on SPSS, in which it is observed that the VIF and tolerance level of each independent variables fell within the suggested values. Accordingly, the results show that model 1 and model 2 have no multicollinearity.

7.3.6. Results of Multiple Regression Analysis for Model 1

The four basic assumptions of multiple regression is met by model 1, which is suitable for multiple regression analysis. The main aim of model 1 is to test the effect of board of directors on IR quality. In this respect, the following hypotheses are going to be tested, and results are going to be presented respectively.

H1a: There is a significant relationship between board independence and IR quality.

H1b: There is a significant relationship between board diversity (gender) and IR quality.

H1c: There is a significant relationship between board size and IR quality.

Table 7.10. Multiple Regression Analysis for Model 1

Model Summary[b]

Model	R	R Square	Adjusted R Square	St. Error of the Estimate
1	.726[a]	.527	.516	2.595

a. Predictors: (Constant), Board Diversity (Female), Board Independence, Board Size
b. Dependent Variable: IRQuality

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	983.152	3	327.717	48.678	.000*[b]
	Residual	881.930	131	6.732		
	Total	1865.081	134			

a. Dependent Variable: IRQuality

b. Predictors: (Constant), Board Diversity (Female), Board Independence, Board Size

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta (β)	t	Sig.
1	(Constant)	27.424	1.505		18.225	.000*
	Board Independence	.141	.025	.398	5.590	.000*
	Board Size	.382	.130	.213	2.941	.004*
	Board Diversity (Female)	.153	.035	.298	4.327	.003*

a. Dependent Variable: IRQuality, * p< .05

The results of multiple regression analysis is documented in the table above (see Table 7.10). Initially, one of the first important considerations are R Square and Adjusted R Square. R Square value represents that the percentage of the total variation of dependent variable that is explained by independent variables. In this study, 52.7% of the total variance of IR quality is explained by changes in board independence, board size and board diversity, which is accepted as satisfactory. Also, according to Hair et al. (2010), ANOVA table is a critical consideration as regards overall model fit, which is represented by F statistic. Therefore, F significance level reveals that there is an evidence that the entire regression model is significant (R^2= .527, $F(3, 131)$= 48.678, $p< .05$). Adjusted R Square is known as the performance or accuracy criteria of the model, which shows how the regression model fits. Accordingly, the performance of model is 51.6%, which is satisfactory as well. In other words, the model 1 is appropriate to explain relationship between dependent variable and independent variables. Even though no null hypothesis have been addressed as an alternative hypothesis, the significance level of F test leads to reject null hypothesis. It means that there is a relationship between dependent and independent variables of this study.

The relationship between variables are documented by multiple regression analysis, in which the paying attention on β and critical values provide evidences about the results. In model 1, the related 3 hypotheses are tested, which results are addressed subsequently. Firstly, it is found that board independence has a positive and significant association with IR quality ($\beta = .398$, $p < .05$), in which the hypothesis H1a is accepted. Secondly, the hypothesis H1b is accepted as well. In this context, there is an evidence that board size has a positive and significant relationship with IR quality ($\beta = .213$, $p < .05$). Lastly, the hypothesis H1c is accepted in which it is documented that board diversity (Female) is positively and significantly related to IR quality at ($\beta = .298$, $p < .05$). Also, the consideration of β standardized coefficient gives information about the strength of the effect of changes in independent variables that affects the changes in dependent variable. In this point of view, the changes in the percentage of board independence has the greatest ability that leads to change in IR quality as regards model 1 ($\beta = .398$). In conclusion, the first regression model is accepted in which it is proven that the percentage of independent members on the board of directors, board size, and the percentage of female members on the board of directors have an effect on IR quality.

7.3.7. Results of Multiple Regression Analysis for Model 2

In this study, in the previous section, in order to conduct multiple regression analysis, four basic assumptions have already been considered for model 2. The results show that the model 2 is suitable for multiple regression analysis. In this manner, the main aim of model 2 is to predict the effect of audit committee on IR quality, which is based on 3 hypotheses to do so. The results that are reached as follows.

H2a: There is a significant relationship between audit committee independence and IR quality.

H2b: There is a significant relationship between size of audit committee and IR quality.

H2c: There is a significant relationship between number of audit committee meetings and IR quality.

Table 7.11. Multiple Regression Analysis for Model 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	St. Error of the Estimate
2	.793[a]	.629	.621	2.297

a. Predictors: (Constant), Audit Committee Meeting, Audit Committee Size, Audit Committee Independence
b. Dependent Variable: IRQuality

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	1173.689	3	391.230	74.127	.000*[b]
	Residual	691.392	131	5.278		
	Total	1865.081	134			

a. Dependent Variable: IRQuality

b. Predictors: (Constant), Audit Committee Meeting, Audit Committee Size, Audit Committee Independence

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta (β)	t	Sig.
2	(Constant)	29.642	1.424		20.816	.000*
	Audit Committee Independence	.088	.014	.457	6.385	.000*
	Audit Committee Size	.532	.327	.099	1.625	.107
	Audit Committee Meeting	.898	.185	.384	4.865	.003*

a. Dependent Variable: IRQuality, * P< .05

The results that are related with model 2, is introduced through the table above (see Table 7.11.), which helps to reach the findings respectively. It is verified by the R Square that 62.9% of the total variance of IR quality is predicted through independent variables of model 2, which are audit committee independence, audit committee size and audit committee meeting. In this context, as it is explained through F statistics that the overall regression model is significant (R^2= .629, $F(3, 131)$= 74.127, $p< .05$). Furthermore, the performance of the model 2 is indicated by Adjusted R Square, which is 62.1%. Accordingly, these values confirm that the model 2 is well designed to predict the effect of audit committee on IR quality. Moreover, the significance of F test indicated that no null hypothesis is existed. Therefore, it is concluded that the entire regression model is sufficient to explain relationship between dependent and independent variables.

In this study, the model 2 is built on 3 different independent variables that are related with the effect of audit committee. In this respect, the model 2 has 3 hypotheses, in which the results of related hypotheses are indicated in the table 7.11 as well. Accordingly, β and critical values are taken into account as the confirmatory on the hypothesis. In this manner, there is an evidence that audit committee independence has a positive and significant relationship with IR quality ($\beta = .457$, $p < .05$), in which H2a is accepted. Secondly, the hypothesis H2b indicates that the relationship between audit committee size and IR quality is not statistically significant ($\beta = .099$, $p > .05$), in which H2b is rejected. Lastly, audit committee meeting has a positive and significant association with IR quality ($\beta = .384$, $p < .05$) in which hypotheses H2c is accepted. Additionally, in the view of β value, it is observed that the changes in percentage of independent members on the audit committee has a considerable effect on the changes in IR quality ($\beta = .457$). In conclusion, even though the model 2 is statistically good one, H2b is failed to explain its effect on IR quality, and H2a and H2c is accepted respectively. Consequently, it is statistically confirmed that percentage of independent members on the audit committee and number of meeting are critical factors to enhance IR quality.

7.4. The Discussion of Results

This study is consist of two main research questions as it was addressed. The main goal is to point out the effect of corporate governance on IR quality as it stated in the second research question. However, the findings on first question is crucial as well. The first research question is “To what extent the quality standards are met through integrated reporting practice?”. Accordingly, the important results have already been found on the first research question through descriptive statistics. These results have also issued and discussed under the related tables. To mention briefly, depending on mean value and standard deviation, no significant changes have been observed in different industries in terms of IR quality. Besides, the consideration of mean value and standard deviation showed that average score is 45.17 out of 54 for IR quality, in which the standard deviations are not far from mean value. Under this conditions, it is inferred that the most of corporations are good at meeting quality criteria in IR practice on the basis of IR Framework. However, scoring method that is adapted indicates that two main items are frequently answered as poor, which are capitals and conciseness. Therefore, the two items of IR Framework should be paid attention by reporting entities in the matter of explaining how different capitals have been used and how the business environment has been affected. Also, the length of integrated reports are problematic, which pages over hundreds of pages, which should be considered by reporting entities. One of the reasons behind emergence of IR was to length and complexity of financial and nonfinancial reports, in which these conditions should not want to be experienced by users of information (IIRC, 2011; Eccles and Saltzman, 2011). Accordingly, reporting entities should always take into consideration that users of information intends to make a decision on the basis of the consideration of concise, clear and consistent information. To sum up, it is shown that IR Framework is critical to meet criteria of users of information as well as the quality standards. In this context, the consideration of capitals and conciseness as well as other main concepts, principles and elements are come to the fore both reporting entities that provides benefits to shareholder, and stakeholders.

The most important part of this study is to answer the second research question by means of taking advantages of multiple regression analysis, which findings are addressed as follows. As noted by Fama and Jensen (1983), on the board level, the decision and control mechanisms should be separated each other. Therefore, it is believed that this separation is possible through appointing independent members in the different level of corporations and especially on the board level. Accordingly, the number of benefits are provided by independent members, in which they are considered as the contributor of information quality. For example, their contributions on monitoring activities may result in providing information in a quality manner. Also, the previous studies (Forker, 1992; Hossain et al., 2005; Vitolla et al., 2020a) have documented their contributions in this context as well. The descriptive statistics were already revealed that corporations have approximately 60.37% of independence within the determined sample size. It is one of the most important findings to comply with the acceptance of H1a. Therefore, it is believed that independent members have more effect on some issues rather executives. The existence of independent members on board level lead to protect interest of shareholders, which encourages them to provide consistent and accurate information. In this respect, IR contains the most essential and critical information on business related matter in which quality is increased through independent members. This perspective also coincides with the agency theory as well. In addition, the results show that board independence has the most prominent effect on IR quality rather than board size and percentage of female members. In brief, it is stated that the high number of independent board members have a great impact on IR quality, which should be importantly considered by board of directors.

On the other hand, the effect of board size on IR quality, which was addressed as another hypothesis, is significantly related to IR quality. Accordingly, it means that the large board size is good at dealing with challenges and problems that are arisen in different contexts. Based on this association, it is stated that large number of board of directors possibly consist of members, who have different sort of experiences, skills, and backgrounds that are related with their field (Frias-Aceituno et al., 2013). Therefore, IR practice is based on process of integrated thinking in which the contributions of different members, who have different profiles, are vitally critical. From this point of view, it is believed that increases in the number of people on board of directors are one of the leading reasons that contributes IR quality. However, it should not be meant that each corporations need to add new members to improve information quality. In this manner, the consideration of descriptive statistics reveal that mean value is 11.31 for board size, which has a standard deviation around 2.079. These numbers are considerable informative about the ideal board size, in which corporations have satisfactory IR scores around. On the other hand, the small board size may expected to lead information asymmetry, which has been discussed as a problem for years. Under this condition, having a small number of members on board may lead them to care their own interest, which might results in information asymmetry as it was discussed as a problem. Moreover, having a very large number of members on board of directors can even pose an agency cost as regards corporate governance. The acceptance of H2b revealed the opposite of this condition. In this sense, the consideration of sufficient number of board size is essential. As a result, in line with hypothesis that is tested, the finding shows that large board size contributes IR quality positively.

In the regression model 1, the hypothesis H1c was the last prediction of the model, which was statistically proved as well. This hypothesis refers to the relationship between gender diversity and IR quality. In this study, board diversity is related with difference in gender on the board of directors. In this respect, it is believed that female members are more concentrated on some matters rather than male members, such as social, environmental and governance issues. The fact is that these issues are the significant part of IR practice as well. Besides, board diversity is accepted as a factor that leads to emergence of variety of ideas (Post et al., 2011). Therefore, the number of female members on board of directors have association with firm performance (Rovers, 2013). In this point of view, female members are expected to highlight different perspectives of the many business related matters positively. In terms of this study, IR practice is considered as the most essential tool of corporate governance. In so doing, the quality of IR is believed to be enhanced by means of contributions of women member on board of directors. In the previous chapter, the descriptive statistics demonstrated that female members have the lowest percentage on the board of directors. However, it is observed that the corporations, which have the highest IR scores, have more female members than other corporations that have the lowest score. In brief, the finding suggests that the existence of female members in sufficient numbers are regarded as a factor that improve IR quality.

These results were related with the effect of board of directors on IR quality up to this point. In the light of model 1 that was proposed, the acceptance of 3 hypotheses show that board of directors mechanism of corporate governance has a great impact on IR quality. Apart from the effect of board of directors, it is believed that other mechanisms of corporate governance might have effect on IR quality. In the view of literature and theoretical background, audit committee is expected to be integral part of corporate governance in point of dealing with information asymmetry and agency problem. In this point, the contribution is made by audit committee on IR quality, which is essential for many reasons. Therefore, this idea were tested with related hypotheses. The second model of this study were formulated to find answer whether this contribution is made by audit committee or not.

The first hypothesis of model 2 is accepted that audit committee should be independent, which have significant effect on IR quality. In the light of agency theory, one of the most important problem has been stated as information asymmetry and agency costs for years (Jensen and Meckling, 1976). Corporate governance has been the most noteworthy approach to fulfill expectation in point of dealing negativity of agency problem. Accordingly, it is believed that a critical role is taken by audit committee to deal with agency problem by means of increasing monitoring activities under corporate governance mechanism. As noted in the literature that the independence of auditors should be ensured, which meets the expectations of shareholders in accountability. (Cadbury Report, 1992; IoDSA, 2009; OECD, 2015). Also, descriptive statistics show that the mean value is 84.26% for audit committee independence, which confirms the requirement of independent members. Therefore, the independent audit members lead to achieve accountability, which is believed to result in increasing information quality as well as IR quality. The most important implication on corporations that audit committee should entirely be independent. Even if it is not achieved, audit committee should be made up of as many independent members as they can. This view is accepted by the first hypothesis of model 2 (H2a), which is also revealed that it has the most substantial effect on IR quality within overall regression model 2.

In this study, it is predicted that the size of audit committee might have an impact on IR quality. In similar to idea behind H1b, it was believed that large size could mean the combination of different ideas, which could contribute to IR quality. However, this opinion was denied, since the related hypothesis H2b was statistically rejected. As it is observed that audit committee does not consist of as high number of members as board of directors. As it noted that two important roles are taken by audit committee, which are monitoring activities as well as reporting information to board of directors in this context (Maassen, 1998). Also, the supported idea was the separation of control and monitoring as stated in the of agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983). Therefore, it was believed that the existence of different committee members could contribute to the creation of various ideas as it was implied in increases in number of board members. In this context, it was expected that IR quality could be increased through the contribution of large number of members on audit committee. However, the statistical results documented that there is no support on this proposal. On the other hand, descriptive statistics indicated that the mean value of audit committee size is 4, which has considerable small standard deviation. Accordingly, having very small number of members on audit committee by the most of corporation might be the reason behind the rejection of hypothesis.

The last hypothesis that was tested, was the effect of number of meetings on IR quality. This hypothesis was supported, in which the condition is met in the matter of high number of meetings are held by audit committee. In this point, the increases in number of meetings are meant that contributions are made on IR quality by means of different ideas and perspectives that are shared. Also, it is believed to be important to assess monitoring activities, in which the results suggest that information asymmetry are dealt with increasing quality of IR practice. This is important in the point of agency theory and agency problem. Therefore, in relation to agency theory, it is concluded that number of audit committee meetings that are held, should be critical consideration of corporation to alleviate negative effect of agency problems. On the other hand, the descriptive statistics expressed that the mean value is 6.54, which means that the average number of meetings is approximately 6. However, it does not show the exact number of meetings that must be held by each corporation, in which finding is significant to inform about that meetings should be held at close intervals. Also, it is stated that monitoring activities increase the quality of information (Forker, 1992; Hossain et al., 2005; Vitolla et al., 2020a). Even though the audit committee has a small number of members, the number of meetings is associated with discussing whether the monitoring mechanism is well carried out or not. Therefore, it is statistically documented that number of meetings has an effect on IR quality under this conditions.

In conclusion, to what extent the quality standards are met through integrated reporting practice has been revealed by this study as it was discussed. Also, the effect of different mechanisms of corporate governance regime on IR quality was statistically addressed. These were significant to find answers on research questions to conclude this study.

CHAPTER 8
CONCLUSIONS AND FUTURE RESEARCH

Corporate governance has been one of the most essential governance approach in today’s business circumstances. However, there are some considerable reasons behind the emergence of corporate governance structure. In this manner, since 2000’s, one of the biggest frauds, financial scandals, and environmental problems have been witnessed, such as Enron, WorldCom, Well Fargo, BP deep-water horizon oil, Xerox, Toshiba accounting fraud and Volkswagen emission scandal. The occurrence of such problems are connected with the conditions, in which agents’ willingness to care their self-interest and to use resources for their own benefit rather than shareholders. Therefore, monitoring, bonding and residual loss are stated as the important costs that are arisen as a result of these problems (Jensen and Meckling, 1976). Besides, as noted by Barako et al. (2006), all these problems are results of information asymmetry. In other words, it is a situation where the perfect information are reached by agents. In this point, as it was addressed in the related chapters that a variety of problems have been dealt with the building a well-functioning governance structure. Agency theory has already proven why corporations and other size firms need a governance structure that is based on corporate governance (Jensen and Meckling, 1976; Fama and Jensen, 1983; Cadbury Report, 1992; OECD, 2015). On the other hand, the effect of the most considerable problems, which are stated as information asymmetry and agency costs, are expected to be alleviated in this context. Also, as it is believed that quality of information and transparency are the critical considerations to eliminate negativity of information asymmetry (Al-Najjar and Abed, 2014; El-Bassiouny et al., 2018; Vitolla et al., 2020a). Accordingly, corporate governance regime has a critical tool to do so, which is known as corporate reporting. In so doing, information that is reported in a quality manner is expected to be a vital solution.

Corporate reporting is known as the best way to report major information about business activities to the business environment. As the name suggest that corporate reporting can be addressed as a way to report essential information to the business environment. Therefore, corporate governance has been embraced by corporations in which corporate reporting practices have been tool of governance structure. From this perspective, as it is addressed that the existence of information asymmetry and agency problem led to the emergence of corporate reporting practices (Healy and Palepu, 2001; Dey, 2008; Armstrong et al., 2016). These sets of actions are mainly based on reporting financial, non-financial and integrated information (Eccles and Spiesshofer, 2015). Therefore, corporate reporting practices are concentrated on informing to users of information, in which the contribution are made through improving decision making process of both internal and external business environment. In this regard, the negative effect of agency problem is expected to be disappeared. In addition, in relation to the agency problem, the quality has been the most essential criteria that should be met. Accordingly, as it stated that the corporate reporting practices should be based on set of standards, principles or framework, which leads to enhance the transparency, accountability, relevance, comparability and so on (Druckman and Freis, 2010; Eccles and Saltzman, 2011; Baron, 2014; OECD, 2015). Also, with respect to find a way to deal with agency problem, the consideration of standards and frameworks help to manage the negative effects of information asymmetry (Diamond and Verrecchia, 1991; Daske et al., 2008). In brief, corporate reporting practices have the most critical role in terms of agency theory and corporate governance structure.

In today's business environment, reporting needs of users of information are met through IR practice, in which provides a great number of benefits (Steyn, 2014; Ioana and Adriana, 2014), and have started to be a popular approach (Hoque, 2017). In this sense, IR has started to be the main reporting practice of most corporations. IR is mainly grounded on the idea that aim is to combine financial information with nonfinancial information. To achieve this, integrated thinking should be imposed on governance approach, which is possible through IR practice and IR Framework (IIRC, 2011; IIRC, 2013). Therefore, the decisions making process of both the users of information and internal environment of business are based on integrated reports. Also, the quality of information are increased through the IR practice, which result in creating an effective and efficient business environment (IIRC, 2013) and in providing a complete picture on business activities (Cheng at el., 2014). In brief, it is believed that a connection is existed between corporate governance and IR and IR quality in regard to agency theory's perspective. Accordingly, IR quality has been one of the integral parts of this study. On the other hand, corporate governance has different actors under the internal and external mechanisms. As one of the most crucial parts of internal mechanisms of corporate governance, the board of directors and audit committee is believed to be contributors to information quality (Fama and Jensen, 1983; Cadbury Report, 1992; Barako et al., 2006; Frias-Aceituno et al., 2013). In this context, the effect of board of directors and the effect of audit committee are taken into account as the determinant of enhancing IR quality. In a nutshell, the main elements of this study have been come to the fore as corporate governance and IR quality, in which it has already been discussed through reviewing existing literature, and theoretical background. In this context, the model 1 and model 2 are proposed as the predictors on IR quality that was issued. For this reason, this study is based on explaining level of IR quality, and the association between corporate governance and IR quality correspondingly. Finally, a conceptual framework is illustrated to tell all the story behind this study, which is grounded on theoretical background and existing literature.

This study is focused on answering two main research questions to reach the most appropriate results, which are 1) To what extent the quality standards are met through integrated reporting practice?; and 2) What is the effect of corporate governance on integrated reporting quality? In this context, the five main objectives have been intended to be achieved since the beginning of this study, which are as follows. First of all, one of the objectives of this study is to develop a scoring method that measures IR quality concerning IR Framework completely. Accordingly, a scoring method is developed and adapted in the light of IIRC (2013) and Pistoni et al. (2018). This scoring method is based on 18 items of IR Framework in order to provide overall picture, in which each fundamental concept, principle and content element is considered. The development of a scoring method is a point that distinguishes this study from others as well. Accordingly, the achievement of the first objective is important to move through following objectives and to reach results, which is achieved as it was indicated in the related chapters. The second objective of the study is to reveal to what extent quality standards are met through IR practice. In this context, IR scores, which are measured through scoring method that is developed, have been the indicator in line with descriptive statistics. Therefore, this objective is achieved, in which the related results were addressed in previous chapters. Thirdly, another objective is to compare the IR quality of reporting entities in different industries. In this context, the different IR scores are compared within the different industries, in which it is informative on the basis of what extent quality standards are met through IR practice in different industries as well. Therefore, the descriptive statistics have been the contributor to reach appropriate answers. The results that have been indicated are proof of the achievement of related objective. Besides, the next objective of this study is to test the effect of corporate governance on IR quality concerning the effect of board of directors and audit committee. In line with the model 1 and model 2, the effect of board of directors on IR quality as well as the effect of audit committee on IR quality is statistically tested by means of using multiple regression analysis. Accordingly, with regard the related results, this objective is achieved. As a last one, the overall objective of this study is to fill the gap within existing literature, and to contribute future studies and reporting entities. Therefore, a scoring method is provided and the results are reported for the benefits of literature, future studies, and reporting entities. Under these conditions, it is stated that each objective of this study is achieved in which they are vitally important to reach results and conclude the study.

The foremost aim of this study is to answer two main research questions by means of considering statistical methods. Accordingly, one of the most noteworthy part is data analysis in which the results are reflected through. The nature of this study is the well-suited with quantitative research design, since it is based on numerous variables that are numerically measured. First of all, in the view of first research question, IR quality of various reports in different industries are measured through scoring method. In this context, this study has been benefited from descriptive statistics to make interpretation on to what extent quality standards are met by the agency of IR practice. Secondly, model 1 and model 2 are well-designed in accordance with quantitative approach in order to find answers on the second research question. Accordingly, each model has 3 different independent variables to explain the effect of board of directors on IR quality and to explain the effect of audit committee on IR quality respectively. In this point, the characteristics of variables, and hypotheses are the most fitting with the multiple regression analysis. Furthermore, in order to reach results, data are collected through scoring IR reports and obtaining essential information about board of directors and audit committee on these reports. For this reason, 135 integrated reports, which have been randomly selected in 11 different industries, have been issued as the final sample size of this study.

After these stages, the related data are coded, entered and analyzed on SPSS as well as the results that are reached are addressed subsequently. The results that are found can be divided into 2 categories considering the research questions. Therefore, the following results have been documented with regard to the first research question. In this context, the results have indicated as follows. Initially, there is no significant difference in terms of scores of IR quality in different industries. Therefore, the quality criteria does not vary depending on industry where reporting entities operate. Besides, the result has shown that scores of IR quality are satisfactory, if the maximum score is taken into account. Accordingly, it is stated that the quality standards of IR practice is met through the consideration of IR Framework. However, the results have revealed that two items of IR Framework, which are capitals and conciseness, have been frequently addressed as poorly explained items by reporting entities. Even though the inadequate consideration of the capitals and conciseness by some reporting entities, it is believed that the IR scores are still sufficient. In brief, it is concluded that the quality standards are met on the basis of IR Framework at a satisfactory level, in which it is applicable in different industries as well.

The results that have been related with second research question have been issued subsequently. In this study, the effect of corporate governance on IR quality have been tested in the light of two different models. The first model has tested the effect of board of directors on IR quality considering board independence, board size and board diversity (gender). The results have documented that H1a, H1b, and H1c is accepted in the light of multiple regression analysis. Therefore, it is concluded that percentage of independent members on the board director, board size, and percentage of female members on the board of directors have a positive and significant impact on IR quality. Also, among the 3 independent variables, board independence has a greater effect on IR quality than other variables. On the other hand, the second model has intended to test the effect of audit committee on IR quality, which have 3 different independent variables. Accordingly, the results have indicated that H2a and H2c is accepted, and H2b is rejected. In this context, it is concluded that percentages of independent members on the audit committee, and the number of meetings of the audit committee have a positive and significant effect on IR quality. However, no evidence has been found that audit committee size is determinant of IR quality. Likewise in board independence, audit committee independence has the biggest effect on IR quality. In conclusion, it is stated that the most important role is undertaken by internal mechanisms of corporate governance to meet and improve quality standards of IR practice.

Regarding the results that have been documented, a number of recommendations can be made. Accordingly, reporting entities, who are intended to report information by means of IR practice, should consider IR Framework in a complete manner. The consideration of IR Framework should be completely because the ignorance or providing poor information related to items of framework may decrease the quality of integrated reports. Therefore, this situation can result in negative effects on the decision making process of both internal and external environment of business. Also, corporations who operates in various industries, can apply IR Framework to their reporting practice without the need for an adaptation or a modification process. Besides, in line with agency theory (Jensen and Meckling, 1976; Fama, 1980), the negative effect of information asymmetry and agency costs are believed to be alleviated or diminished through the contribution of improved information quality. Therefore, the quality is provided by IR practice. Furthermore, the quality standards are met through the consideration of IR framework, but the internal environment of business has a great numbers of negligible impacts on IR quality as well. In other words, corporate governance structure has a different internal and external mechanisms, in which the internal mechanisms, such as board of directors and audit committee affects IR quality. Therefore, under the corporate governance structure, corporation should pay attention on some essential matters. To begin with, independent members play a critical role to contribute IR quality. The majority of the board of directors and audit committee should be made up of independent members. Also, if it is possible, it is suggested that audit committee should be completely consist of independent members concerning their monitoring role. By doing so, the more accurate and quality information are provided to contribute IR quality. Subsequently, the board size should not be so small, which should consists of an adequate number of members to discuss different ideas and to highlight different perspectives. Besides, female members should be involved on the board of directors as the most integral part to make contribution on information quality of IR regarding providing various ideas.

Although the effect of female members on audit committee has not been addressed as a separate hypothesis, it is believed that their existence is significant for audit committee as well. In addition, a sufficient number of meeting should be held by audit committee to contribute information quality and IR quality. In conclusion, from the perspectives of corporation, consideration of the results, discussions and recommendations of this study is expected to contribute their IR practice and governance performance, in which IR quality is improved in this respect.

In the view of recommendations that have been issued in the previous paragraphs, it is confirmed that the remarkable contributions have been made on corporations. This study is also substantial to contribute the existing literature and agency theory as well. In terms of literature, the importance of board of directors and audit committee is proven as an internal mechanisms of corporate governance, in which findings are expanded the existing literature. In addition, the evidences show that IR practice considerably stands out more than other corporate reporting practice. Besides, it is revealed that meeting quality criteria is the important concern for reporting entities and users of information. Lastly, a scoring method is developed by this study, which provides a number of benefits to literature in point of measuring IR quality. These are regarded as the vitally critical contributions to fill the gaps and expand related literature.

This study has some limitations as well, which has been experienced so far. First of all, the population of this study is consist of each corporation that published an integrated report or annual integrated reports in 2019. In addition, in order to make comparison and assess IR quality of corporations from different industries, the stratified random sampling has been determined as a method. It is believed that the representation of each industry is critical to give idea about entire picture of IR quality. Therefore, the population is divided into 11 subgroups in relation to industries. Accordingly, to make accurate comparison between industries, the close amount of samples are randomly selected within 11 industries. However, it is observed that the number of integrated reporters in some industries are quite less than other industries. In this context, increasing the number of sample size may result in inaccuracy between industries. Although a large sample size is preferable to generalize results, the sample size of this study is limited at 135. On the hand other, the more information could be provided through the consideration of how the IR quality has changed in different industries over the years. However, time constraint has emerged as one of the most remarkable limitation of the study. On the other hand, apart from the importance of internal mechanisms of corporate governance, the external mechanisms are significant parts of corporate governance structure. In this context, external pressures that are addressed in the related section such as regulatory oversight, legal and bankruptcy regimes, capital markets access, corporate control activity, block holder monitoring, activist institutional investor monitoring, external audits, and credit rating might have effect on important issues. Some of external mechanisms such as the regulatory environment, legal system as well as culture and tradition may have an impact on board structure and other internal mechanisms. Therefore, external mechanisms can affect IR quality in an indirect way. Even though this study is considered the effect of board of directors and audit committee on IR quality, the effect of external mechanisms can be taken into account as well, in which it is stated as a limitation of this study.

The results of this study can be the motivation behind next studies as well. In this manner, this study is shown an evidence that there is a relationship between corporation governance and IR practice. In this relationship, the board of directors and audit committee has been determined as the subjects of this research, which are based on the elements of internal mechanisms of corporate governance. Therefore, the next studies should concentrate on revealing the effect of external mechanisms such as regulators, governments, users of information and so on. On the other hand, one of the most notable aspects of IR is to place integrated thinking in the center of business model and governance structure. Accordingly, IR practice can lead to emergence of the new governance approach that is based on integrated thinking. In this manner, the effect of integrated thinking can be issued as regards corporate governance structure. Also, it has been confirmed by this study that level of IR quality is sufficient in the view of reporting entities. It is believed that the quality standards are noteworthy for the users of information. In this context, it can be discussed in the next studies that what kind of benefits are provided to users of information through increased IR quality. Lastly, it can be addressed that whether there is a change in IR quality over years or not. In conclusion, this study contributes to the creation of new ideas and new studies regarding corporate governance, corporate reporting and IR.

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APPENDIX 1 – Scoring Method For Measuring Integrated Report

In order to measure IR quality, a scoring method is developed, which is grounded on IR Framework (IIRC, 2013) and based on the scoring method of Pistoni et al. (2018). Scoring method for measuring IR quality is addressed below.

No.	Fundamental Concepts	Absence of Information	Poor	Balanced	Excellent
1	**Value:** Value that is created by corporation over time for corporation itself, shareholders and stakeholders are addressed.	0	1	2	3
2	**The capitals:** The major capitals that are used by corporations are explained, such as financial, manufactured, intellectual, human, social and relationship, and natural.	0	1	2	3
3	**The value creation process** is explained, which is based on business model, capitals as inputs, business activities, outputs, and outcomes.	0	1	2	3
	Guiding Principles				
1	**Strategic focus and future orientation**: Information are provided on organization’s strategy, and how value is created over short, medium and long term, and the effects of capitals are explained, relates with organization’s strategy.	0	1	2	3
2	**Connectivity of information:** A holistic picture are provided on corporation, which contains combination, interrelatedness and dependencies between factors, and content elements.	0	1	2	3

3	**Stakeholder relationship:** Information are provided, in which the relationship between major stakeholders are explained.	0	1	2	3
4	**Materiality:** Information that are presented are relevant matters about how corporation's ability is affected to create value over time.	0	1	2	3
5	**Conciseness:** Information are presented in a concise manner (length of reports should not be very long)	0	1	2	3
6	**Reliability and completeness:** Information are presented in a complete manner that are based on both positive and negative sides, which are expected to be free from material error.	0	1	2	3
7	**Consistency and comparability**: Information are presented in a consistent manner, which are expected to allow comparison between other integrated reports.	0	1	2	3
	Content Elements				
1	**Organizational overview and external environment:** Information are presented about what does corporation do, and under which conditions do they operate depending on external environment.	0	1	2	3
2	**Governance:** Information are presented about the governance structure of corporation (e.g. board diversity, culture, ethics, values), and how its affect the value creation over time.	0	1	2	3
3	**Business Model:** Information are presented about business model of corporation, which explains how inputs are transformed into outputs and outcomes by means of business activities in order to create value.	0	1	2	3

4	**Risks and opportunities:** Information are presented about risks and opportunities (e.g. internal and external) that affects ability of corporation to create value, and the ways of dealing with risks are explained.	0	1	2	3
5	**Strategy and resource allocation:** Information are presented on where corporation want to go, and how it is achieved through assigning and managing assets.	0	1	2	3
6	**Performance:** Information are presented about how successful the corporation is to achieve goals and objectives by means of both the qualitative and quantitative outcomes.	0	1	2	3
7	**Outlook:** Information are presented about the external environment regarding the challenges and uncertainties that are experienced by corporation, in which the possible implications and expectations are discussed.	0	1	2	3
8	**Basis of preparation and presentation:** Information are presented about the process how corporation decides what matters are covered by IR, and how these matters are quantified and evaluated.	0	1	2	3