Management of risks associated with the disclosure of future-oriented information in integrated reports

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Please cite as:
Lakshan, A.M.I., Low, M. & De Villiers, C. 2020. Management of risks associated with the disclosure of future-oriented information in integrated reports, *Sustainability Accounting, Management and Policy Journal*, 12(2), 241-266. https://doi.org/10.1108/SAMPJ-03-2019-0114

Abstract

Purpose - Integrated Reporting (IR) promotes the disclosure of future-oriented information to enable financial stakeholders to make better-informed decisions. However, the downside to this type of disclosure is the risk to management of disclosing such future-oriented information. This paper explores how IR preparers manage the risk of disclosing future-oriented information in companies' integrated reports.

Design/methodology/approach - This study represents an exploratory interpretative thematic analysis of 33 semi-structured interviews with managers involved in IR in 8 Sri Lankan companies representing various industries. The thematic analysis is informed by the research literature and prior studies on IR.

Findings - This paper provides evidence of various strategies to manage the risk associated with the disclosure of future-oriented information in integrated reports. These strategies include making non-specific predictions; increasing the accuracy of the predictions; linking performance management to disclosed targets, thus ensuring individual responsibility for target achievement; disclosing *ex post* explanations for not achieving previously disclosed targets; and linking disclosed targets to the company's risk management procedures. However, these strategies can cause managers to provide conservative future-oriented information, rather than 'best estimate' future-oriented information.

Practical implications - The study describes the strategies that managers use to mitigate the risks involved in disclosing future-oriented information. These strategies can provide support, or raise concerns, for managers in deciding how to deal with such risks. Regulators tasked with investor protection, as well as stock exchanges interested in the transparency and accountability of listed companies' activities should be aware of these strategies. Furthermore, the International Integrated Reporting Council (IIRC) should be interested in the implications of this study because some of the identified strategies could undermine the usefulness of integrated reports to stakeholders. This is a significant concern given that the IIRC envisages integrated reporting and thinking as vehicles that could align capital allocation and corporate behaviour with wider sustainable development goals.

Social implications - The trend of future-oriented information moving from being used only in organisations' internal management systems to being externally reported in integrated reports has implications for stakeholder groups interested in the reported targets. This study reveals management strategies that could affect future-oriented information reliability and reduce their usefulness for users of integrated reports.

Originality/value - This study provides unique insights into the emerging area of how managers deal with the risks involved in disclosing future-oriented IR information.

Keywords - future-oriented disclosure; integrated reports; risk and uncertainty

1. Introduction

Traditional financial reporting has been criticised for its inability to fulfil stakeholders' information requirements (Busco *et al*., 2013; Adhariani and de Villiers, 2019), especially because of the non-availability of future-oriented information (Jensen and Berg, 2012). The International Integrated Reporting Council's (IIRC) "vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking" (IIRC, 2015, p. 1). In fact, according to Adams (2020) in her consultation process concerning 'Sustainable Development Goals Disclosure (SDGD)', the concept of 'Long term Value Creation for Organisations and Society' is aligned with the fundamental concepts of Integrated Reporting (IR), and value creation for society and organisations is essential for the achievement of the SDGs. The International Integrated Reporting Framework indicates that IR aims to "improve the quality of information available to providers of financial capital in order to enable a more efficient and productive allocation of capital, and support integrated thinking" (IIRC, 2013a, p.2) while providing information of both a financial and non-financial nature. Organisations implementing IR are expected to make predictions and disclose them in an integrated report (de Villiers *et al*., 2017a). Specifically, the IIRC indicates that the primary purpose of IR is to explain how value is planned to be created over the short, medium and long term (IIRC, 2013a; De Villiers *et al*., 2020). Thus, the scope of IR extends into the future.

While IR promotes the disclosure of future-oriented information, disclosure has a potential downside, as it has been shown that management face increased risk in disclosing financial forecasts, including the risk of litigation should investors incur losses based on inaccurate forecasts (Field *et al*., 2005; Graham *et al*., 2005). Section 3.53 of the <IR> framework acknowledges that forecasts of IR-related information are also more uncertain than historical information, while stressing that "uncertainty is not, however, a reason in itself to exclude such information" (IIRC, 2013a, p.16).

According to Stubbs and Higgins (2014), IR research has been limited to theoretical investigations and stand-alone case studies. Velte and Stawinoga (2017) evaluated 44 empirical studies on IR published after December 2013 and found that most of these studies focused on market and investor reactions to IR. Similarly, Dumay *et al*. (2016) stated, "the vast majority of IR articles do not research practice … or engage practitioners" (p. 11). Dumay *et al*. (2017) also noted the need for IR "research concerning the … implications for internal risk assessment" (p. 473). Rinaldi *et al*. (2018) found that "the main focus of the [IR] literature was placed on the product of IR (mainly within large organisations operating in developed English-speaking countries) with limited, but growing attention devoted to the impact phase of the IR journey" (p. 1309). It appears that new accounting and management processes need to be developed to implement IR. For example, Adams (2015) explains that it is necessary for "senior executives and board members to think (long term) about their business model, how they create value and to whom, material issues, risks and strategy together which gives integrated reporting the potential to effect change" (p.24).

Despite the research interests in IR and risk (see de Villiers *et al*., 2014; de Villiers *et al*., 2017a; de Villiers *et al*., 2017b), Perego *et al*.'s (2016) comprehensive literature review found that IR studies concentrated on the antecedents of IR adoption, with little understanding of the decision-making around IR. Although more recent studies (e.g. McNally *et al*., 2017; Del Baldo, 2017; Lai *et al*., 2017; Guthrie *et al*., 2017; Dumay and Dai, 2017; Macias and Farfan-Lievano, 2017; Lai *et al*., 2018) focused on preparers and their decision-making process, we are not aware of any prior empirical study which focuses exclusively on how IR practicing companies manage the risk inherent in disclosing future-oriented information in their integrated reports.

This research study is one of the first to provide empirical evidence concerning the practical implementation, execution and operating issues associated with managing risks of future-oriented information disclosed in integrated reports. The research question is: How do managers deal with the risks related to the disclosure of future-oriented information in integrated reports? This study highlights the consequences of the decisions designed to manage these risks. While the management procedures preparers use to navigate a path between the need to disclose future-oriented information and the risks involved in such disclosures should prove useful to managers and consultants, this study also has policy implications for the IIRC, investor protection bodies and stock exchanges. These stakeholders may be interested in the findings relating to the impediments to future-oriented disclosures that better inform and protect investors. Other stakeholders interested in the future-oriented environmental information provided in integrated reports, may also find the management procedures that underlie disclosure decisions useful (de Villiers and Vorster, 1995; de Villiers 1998).

2. Literature review and background

2.1 Future–oriented information, risks and opportunities in IR

The IR framework requires the inclusion of future-oriented information in an integrated report. Given that 'specific risks' may contribute to the non-achievement of future-oriented predictions, organisations expect to clarify the inherent risks of predictions by explaining forthcoming specific risks. The 2013 IR Framework indicates that an integrated report should answer the question "What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term and how is the organisation dealing with them?" (IIRC, 2013a, p.27). Section 4.24 in the IR Framework also states, "An integrated report identifies the key risks and opportunities that are specific to the organisation, including those that relate to the organisation's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term" (IIRC, 2013a, p. 27).

Risk and opportunity management are essential to the process of prediction. The achievement of predictions depends on how organisations manage specific risks and opportunities to create value. According to Ernst & Young (2014), "Integrated reporting takes a broader approach to risk and opportunity management than traditional frameworks" (p.21) and "as a consequence, a strategy that includes the identification and mitigation of risks against the integrated reporting of the six capitals has a direct impact on performance" (ibid). Furthermore, PwC (2015) states: "In our survey conversations, investment professionals sometimes expressed… frustration about the lack of linkage between a company's risks, business model, strategy and financial information" (p.13).

The disclosure of only historical information, which forms the backbone of traditional financial reporting, no longer satisfies investors' information needs, because it fails to identify critical success factors, opportunities, risks, and management plans (Menicucci, 2013; Atkins and Maroun, 2015; Atkins *et al*., 2015; Stent and Dowler, 2015). The Integrated Reporting Council in South Africa (IRCSA, 2011) suggests stakeholders want forward-looking information that will enable them to assess a company's total economic value more effectively. Prior studies have argued that the publication of forward-looking information reduces information asymmetry between managers and investors thus reducing companies' costs of external finance (Bujaki *et al*., 1999).

Furthermore, IR has a broader focus and provides forward-looking information (Adams and Simnett, 2011), which should provide insight into a company's future and strategic direction. Forward-looking disclosures enable stakeholders to assess a company's future financial performance, including earnings, expected revenues, anticipated cash flows, risks and uncertainties (Aljifri and Hussainey, 2007). Voluntary disclosure of forward-looking information on strategies and critical elements of a firm's future operations aids in evaluating

the firm's activities, which has advantages for both firms and managers (Celik *et al*., 2006). The IIRC (2013b) suggests that while companies will not normally disclose all their forecasted results, they should disclose information to help stakeholders assess the company's future value creation potential.

However, while there are arguments supporting forward-looking information disclosures, it can also be argued that, for competitive reasons, the release of forward-looking information may be detrimental to a company. Companies need to consider the extent to which forward-looking information should be made public (Graham, *et al*., 2005; ACCA, 2011). Such disclosures may reveal too much information to competitors, ultimately affecting the disclosing company's future performance (Mathuva, 2012). Another potential issue is that companies may manipulate their performance towards the level of their forecasts (Johnson *et al*., 2001). According to Healy and Palepu (2001), inaccurate forecasts may lead to lawsuits. Menicucci (2018) finds that firms are reluctant to provide forward-looking information in integrated reports, therefore reports typically contain little quantitative forward-looking information. Graham et al. (2005) suggest two barriers to voluntary disclosure: the fear of setting a disclosure precedent that may be difficult to maintain in the future and the reluctance of managers to reveal future-oriented information, because it might negatively affect their future career prospects, or incentive pay. Furthermore, managers want to avoid disclosing any information that enables stakeholders to apply pressure on the company (Nagar *et al*., 2003).

Historically, in traditional annual reports, firms apply different strategies to mitigate the risks of future-oriented disclosures. For instance, US firms' future-orientated disclosure practices are relatively conservative as they are for relatively short periods and managers delay releasing forecasts to decrease the probability of making an incorrect forecast that might lead to increased legal risk (Frost, 1996). Japanese firms' future-orientated disclosures are less informative than French, German, and UK firms' disclosures (Frost, 1996). More recently, Baginski *et al*. (2004) claim that many managers voluntarily disclose their earnings forecasts to stakeholders without explanations (or attributions). Baginski *et al*. (2004) suggest that explanations may be seen as "potentially important information to investors who engage in strategic analysis of financial statement information" (p. 2) where managers tend to provide future-orientated information in a generalised way in order to avoid the risk of disclosing competitive advantage information.

Opportunities and risks are the two least well-reported IR elements (Eccles and Serafeim, 2014; Du Toit *et al*., 2017). Eccles and Serafeim (2014) explain that companies have been reluctant to disclose such information as it involves a high degree of subjectivity and uncertainty and because "Providing information on future outlook is something that companies are still struggling with" (p.16). There is also the possibility of legal action if investors incur losses based on inaccurate forecasts (Field *et al.* 2005). Increased stakeholder pressure for future-oriented information disclosures in integrated reports exposes managers to significant risks (IIRC, 2013a; IIRC, 2013b). For this reason, de Villiers et al.'s (2014) study asks: "How will organisations, especially companies, deal with the risk inherent in making predictions about the future, as required by IIRC type integrated reporting?" (p. 1060).

Overall, stakeholders find future-oriented information particularly useful for making informed decisions (Kasznik and Lev, 1995; de Villiers, 1999; Hussainey et al., 2003; Aljifri and Hussainey, 2007; Menicucci, 2013). Although studies such as Aljifri and Hussainey (2007), Mathuva (2012) and Menicucci (2013) assess the level of forward-looking information and determinants of forward-looking information disclosed in annual reports/integrated reports, they do not examine how the information is prepared for such disclosures. Moreover, no examination of how preparers manage the risks involved in providing such disclosures for public scrutiny has been conducted. Companies are often reluctant to disclose future-oriented information, because most future predictions are generic in nature; for this reason, a more

forward-looking reporting model (Atkins *et al*., 2015; PwC, 2015) which measures outcomes and provides a perspective on future performance (McNally *et al*., 2017) is needed. Perego *et al*. (2016), whose analysis focused on the disclosure of future-oriented information report a gap in the literature on managerial perceptions of IR. The implementation of IR in organisations requires the development of new accounting and management processes (Adams, 2015), while the disclosure of future-oriented information requires new management processes, techniques and modifications to existing processes to mitigate the risks of such disclosures. Dumay *et al.*'s (2017) observation that IR has not been widely adopted in Asia provided further motivation for this study. It led us to ask if the difficulty and risks associated with disclosing future-oriented information could be a deterrent to more widespread IR adoption globally. By exploring IR preparers' (managers) viewpoints on making future-oriented information, the risks involved and the strategies they adopt to manage risk relating to future-oriented IR disclosure, this study should provide insights towards developing a forward-looking reporting model for IR preparers.

2.2 Prior Studies on Risk Disclosure and Risk Management

There are many studies on risk disclosures and risk management, e.g., Abdelrehim et al. (2017) explain that risk management is a fundamentally important activity for the achievement of a company's strategic objectives whereby "the process of managing risk also generates risk information that can be made publicly available" (p. 103). Providing future-oriented information disclosures carries the risk of the non-achievement of predictions, also for IR. The concept of risk helps humans "to understand and cope with the dangers and uncertainties of life" (Slovic, 2000, p. xxxvi). Meidell and Kaarboe (2017) offer an example of a historical case study to investigate how enterprise risk management functions influence decision-making. According to Hillson (2009), organisations seek to predict change and respond to it and suggests that a more pragmatic approach which supports effective risk management and good decision-making when conditions are not certain, is required. For Roeser et al. (2012), a focus on risk "provides frameworks that can contribute to mitigating risks, coming to grips with uncertainty, and offering ways to organize society in such a way that the unexpected and unknown can be anticipated or at least dealt with in a reasonable and ethically acceptable way" (p. 3). Riesch (2013) "conceptualises risk as uncertainty of an event happening whose outcome may be severe" (p. 35). Riesch (2013) divides the objects of uncertainty into five layers: "uncertainty of the outcome, uncertainty about the parameters as well as uncertainty about the model itself, uncertainty about acknowledged inadequacies and implicitly made assumptions, and uncertainty about the unknown inadequacies" (p. 37). We use Hillson (2009) and Riesch (2013) to aid us in our analysis of risk and uncertainty in the disclosure of future-oriented information as explained by the managers in this study.

2.3 The Sri Lankan context

Sri Lanka is an island nation situated in the Indian Ocean off the southern coast of India. The Securities and Exchange Commission (SECSL) and the Colombo Stock Exchange (CSE) are responsible for the governance and regulation of the Sri Lanka's securities market. In December 2014, the CSE had 294 listed companies (CSE, 2014). At the time of this study's preliminary work only 16 of these companies practised IR to some extent or produced integrated reports/integrated annual reports. The Institute of Chartered Accountants of Sri Lanka (CASL) is the country's sole authority for setting and adopting accounting and auditing standards. CASL promotes IR among Sri Lanka's public limited companies (PLCs). In 2015, CASL issued an implementation guide for IR, which incorporates principles of the IIRC, the Global Reporting Initiative, and the UN Global Compact (CASL, 2015). Sri Lanka was an early adopter of the IIRC framework and the CASL's implementation guide on IR aims to ensure consistent application of the IIRC framework in Sri Lanka.

The fact that 16 of Sri Lanka's 294 listed companies (approximately 5%) prepared integrated reports in 2014 placed it among the top countries in terms of the proportion of listed companies adopting IR. According to Asite Talwatte, Chairman of the Integrated Reporting Council of Sri Lanka (IRCSL), nearly 50 Sri Lankan companies had adopted the IR framework by 2018 (as cited in CA Sri Lanka, 2019). Gibassier et al.'s (2019) project place Sri Lanka in Panel A, where 21 countries account for more than 85% of the final sample of 1,367 integrated reports in the 2016 period, with 25 of the reports being from Sri Lanka. Interestingly, they noted that Canada and Germany had low IR, as only 20 companies in these countries provided such reporting; the United States had only 25 such reports. Gibassier et al. (2019) identify several countries, including Sri Lanka, which have a large number of integrated reports but where no in-depth research on IR has been conducted. Therefore, Sri Lanka was chosen as the empirical site of this project.

Prior research has revealed an expectation gap between the information needs of Sri Lankan stakeholders and the preparers of sustainability reports (De Zoysa and Rudkin, 2010; Senaratne and Liyanagedara, 2012). While these studies were on sustainability reporting, the gap can be extended to IR. Additionally, De Zoysa and Rudkin (2010) and Senaratne and Liyanagedara (2012) indicate the lack of non-financial information disclosures in Sri Lankan companies' annual reports. The reasons for non-disclosure include the fear that the disclosure of sensitive information will increase stakeholder pressure; the fear of losing competitive advantage; high ownership concentration; and the cost of disclosure (De Zoysa, 2008). We suggest that similar reasons can hamper the disclosure of future-oriented information in integrated reports in Sri Lanka, which implies that the risk of disclosing inaccurate predictions may be a global issue. However, according to Gunarathne and Senaratne (2017, p. 524), one difference may be that most Sri Lankan IR adopters in Sri Lanka in the diffusion stage were driven more by fashion and that IR often represented "incremental changes in sustainability reporting". They also cautioned that many Sri Lankan firms had not internalised the IR principles (Gunarathne and Senaratne, 2017, p. 541). However, other studies found that IR is 'ceremonial' (Ahmed Haji and Anifowose, 2016), and that IR has made no transformational changes (Stubbs and Higgins, 2014).

3. Method

This is an exploratory qualitative research study that relies on semi-structured interviews and integrated reports as empirical evidence. The interview questions were derived from the study's research questions and related issues identified in the literature (Cheng *et al*., 2014; de Villiers *et al*., 2014; Morros, 2016). Because a well-structured interview guide helps to build rapport with interviewees (Braun and Clarke, 2013), the draft interview guide was discussed with academic IR experts to assess the interview instrument's face validity. Their views were useful in contributing to the interview data's validity and reliability (Lichtman, 2013).

Identifying companies preparing integrated reports was important as a first step because it provided the empirical evidence on the extent of IR in Sri Lanka and helped us find participants. For instance, the researchers reviewed the 2012/2013 and 2013/2014 annual reports of all the Sri Lankan PLCs to identify whether they had adopted IR or produced integrated reports/ integrated annual reports. We identified 16 such companies, all of which we approached to gain access. Eight PLCs consented to interviews being conducted. These PLCs were from the Banking, Diversified Holdings, Finance, Insurance and Motors industries. To solicit a broader perspective of how IR preparers manage the risks inherent in disclosing future-oriented information, employees at different managerial levels were interviewed. The second step in reviewing integrated reports for this study was to explore the extent of future-oriented information disclosures for two purposes. Firstly, to allow the researchers to develop a more

meaningful understanding of the responses being provided by the interviewees and secondly to provide empirical evidence to support the findings and discussion of this study.

3.1 Data collection

Semi-structured interviews were used to obtain data from eight Sri Lankan PLCs in different industries (de Villiers and Lubbe, 2001). Thirty-three face-to-face interviews were conducted with managers in different levels of seniority. The validity and reliability of the interview data started with the selection of companies for the study. Purposive sampling techniques were used to select the managers to be interviewed. Purposive sampling techniques involve selecting units (e.g., individuals, groups of individuals, or institutions) to form a sample that seems most likely to provide the in-depth information relevant to the study's research question (Marshall, 1996; Silverman, 2006). The study's purposive sample selection was based on each individual's involvement in the IR process at his/her company. Appendix 1 provides information regarding the interviewees and their profiles. In Sri Lanka, it would appear that the early IR adopters were predominately from the financial sector.

All 33 interviews were conducted in the interviewees' offices and were conducted in English. Conducting interviews in their natural settings (such as an office or home) ensures a high level of qualitative research validity (Creswell, 2014). All the interviews were tape-recorded to ensure data accuracy and reliability, and because recording interviews helps reduce error in interview transcription (Barriball and While, 1994). Due to the very different nature of the data, reliability and validity in qualitative studies rely heavily on the data collection and analysis process (Golafshani, 2003; Hesse-Biber and Leavy, 2011). Silverman (2011) indicates three main criteria to enhance the reliability of interviews. First, the development of an interview guide that is clear and understandable for interviewees as this ensures precision in the coding and analysis of the data. Secondly, accurate taping and transcribing is required to make the findings more reliable. Thirdly, inter-coding reliability[1] needs to be maintained in order to avoid any ambiguity in coding. We applied all three criteria to enhance the reliability of this qualitative research study. The achievement of validity in our study was through the "non-forcing of interviewees with strategically well-chosen informants" (Stenbacka, 2001, p. 552). Non-forcing as a concept is where the understanding of the phenomena is valid and the informant is part of the phenomena where "he/she is given the opportunity to speak freely according to his/her own knowledge structures" (ibid). The strategic choice of informants meant that we were interviewing only managers relevant to the IR study. This enabled analytical generalisation which is relevant in qualitative research (Stenbacka, 2001).

The study's overarching research question: How do managers deal with the risks related to future-oriented disclosure in integrated reports?; was answered by asking interviewees the main questions provided below and posing appropriate follow-up questions according to the situation and the interviewees' responses:

- How do you participate in decisions about significant future-oriented corporate predictions?
- How do you deal with the risks inherent in making predictions and disclosing them in the integrated report?
- How do you manage the risks of financial and non-financial predictions differently, if they are different?

[1] Intercoder reliability, more specifically termed intercoder agreement, is a measure of the extent to which independent judges make the same coding decisions in evaluating the characteristics of messages, and is at the heart of content analysis (Lombard, Snyder-Duch, & Bracken, 2002). In this research, two coders coded all the transcripts and identified the themes. The intercoder percentage agreement was determined to be a high 86.96 percent.

- What happens following the non-achievement of future predictions?

The interviewees' responses were subsequently analysed to contextualise how they as managers understood the risks related to future-oriented information disclosures in their integrated reports and to reveal how their understanding of how to deal with these risks influenced their resultant behaviour.

3.2 Data Analysis

The data analysis for this study involved thematic coding of the semi-structured interview data (Roulston, 2001). Thematic analysis allows interpretation of various aspects of the research topic (Boyatzis, 1998) and enables the researcher to answer the "who says what, to whom, why, how, and with what effect?" questions (Babbie, 2015). This type of analysis helps to identify specific trends, attitudes, and content categories from the text, and to draw inferences from them (Jones and Shoemaker, 1994). The study applied Braun and Clarke's (2006) six phases of thematic analysis: familiarisation with the data; generation of initial codes; searching for themes, reviewing themes; defining and naming themes, and producing the report.

The first phase of 'Familiarisation with the data' involved reflection to improve on the quality of subsequent interviews. The researchers commenced transcribing immediately after the interview. This enabled the researchers to become familiar with the data, allowing for a deeper understanding of the participants' views. The second phase relating to 'Generation of initial codes' involved the process of firstly storing and printing the data, and then generating initial codes. Coding involved assigning a label or a name that captured the essence of the piece of data that it represented. This coding process not only enabled us to find all the relevant data to answer the research question quickly but also helped us to obtain and refine clues from the data. This study employed an inductive strategy, which allowed codes to emerge from the data. For instance, text segments in the form of a word or short sentences that were deemed meaningful and relevant to the research question were highlighted and attached to a code. The third phase of 'Searching for themes' involved a process where each code was compared and contrasted to ascertain a theme that extended the understanding and logical meanings behind the codes. Accordingly, the themes captured something important about the data in relation to the research question. This phase ended when a set of themes and sub-themes become linked to the data extracts. During the thematic analysis process, some themes were removed, merged, or renamed. In the fourth phase of 'Reviewing themes', the researchers returned to the themes to refine codes, themes, and sub-themes. This reviewing phase involved two levels: Level 1 - reviewing at the level of the coded data extracts and Level 2 - reviewing the entire dataset. In Level 1, all the themes and sub-themes were checked to ensure that the segments of text matched the themes. In Level 2, all the transcripts were read carefully again to ensure that all the important themes were identified and that relevant text had been linked to themes and sub-themes. Any new text, which had not been allocated previously was identified and attached to existing themes. For the fifth phase involving 'Defining and naming themes', the researchers ensured that the names of themes and sub-themes were (a) conceptually meaningful to the phenomenon under study; (b) clear and concise; and (c) close to the data. The final phase 'Producing the report' saw the use of the themes in the thematic analysis of the data collected in this study.

It is important to note that thematic analysis is not a linear process of simply moving from one phase to the next; rather, it entails moving back and forth amongst the data as needed to identify the themes of the study (Braun and Clarke, 2006). Our thematic analysis identified six key themes: predictions and risks involved; accuracy of information provided; the need for regular and tightened performance monitoring; recognising the need for enhanced management risks; adoption of a conservative approach towards predictions; and explanation of non-achievements in integrated reports. The thematic analysis facilitated the development of

insights into the strategies used to manage the risk involved in providing future-oriented information. For simplicity, the paper uses the generic term 'manager' to represent all the different managerial levels of the 33 interviewees.

4. Findings and Discussion

From the six key themes identified in our thematic analysis, we first discuss the theme relating to making predictions and the risks involved in making such predictions. We then detail the strategies for dealing with the risks involved in disclosing future-oriented information captured in the other five key themes. In order to retain the authenticity of the interviewees' responses, we quote them verbatim, but with modifications to aid comprehension. These modifications are indicated with square brackets.

4.1 Disclosure of future-oriented information in integrated reports: Making predictions and the risks involved

Our interviewees appear to take the pragmatic approach to risk and uncertainty as envisioned by Hillson (2009). The following response shows managers' concerns regarding the risks involved in disclosing future-oriented information:

> *We do outlook predictions when things are more or less in our control. We would not want to do an outlook prediction there at all but we are still not sure about some matters. So, that type of prediction[s] where things are beyond my control, I won't put it. Of course, predictions are based on certain assumptions. Predictions are things that we must not mislead, or miscommunicate or misrepresent. If I make a prediction and get some poor person… to invest in our company, he may be risking his small savings, so we have to be careful. I do not predict financial bottom lines […]; if we do […] our shareholders will hold us accountable. They may even sue me. I think there is a huge risk.* *(Interviewee EM01)*

EM01 indicates a willingness to make predictions on matters under the control of the company. While Hillson (2009) sees risk as involving both threat and opportunity, our interviewees appear to regard making predictions more as a threat than as an opportunity. For example, EM01's statement that "our shareholders will hold us accountable" indicates concern over downside risks; that is, misleading predictions leading to losses by investors. Managers in this study also stated their assumptions concerning the organisational, environmental and economic factors used to generate their predictions. Their responses suggest that in their pragmatic management of risk, their company identified and managed those sources of external variation (and stated them as assumptions). The following quotation from BM01 illustrates a disclaimer strategy, i.e. readers are clearly informed that projections are based on certain assumptions, implying that the non-achievement of predictions could be due to changes relating to the assumptions.

> *If you do take a look at our integrated reports, in our discussions we have the format in that we give our stakeholders information about our future plans. We always make sure that we communicate it to the stakeholders through our discussions. We normally predict for two years based on certain assumptions. Assumptions include the economic situation of the country as well as the global economy. We describe our organisation's ability, distribution channels, and everything. We provide financial projections based on those assumptions. Further, the CEO's review and Managing Director's statements are publicised annually; they give some clues about the future.* *(Interviewee BM01)*

As indicated earlier, the IIRC (2013a) states that "uncertainty is not… a reason in itself to exclude such information" (p. 16). In fact, "in a world of uncertainty, there is an ever-increasing

need for information, transparency and accountability" (Moolman *et al*., 2016, p. 601). However, legal exposure contributes to the reluctance of IR preparers to discuss the future (Eccles *et. al*., 2019). Managers in our study, consult with, and seek approval from, higher levels of management, because of their fear of lawsuits resulting from inaccuracies:

> *[…] we predict and we are very serious about it and when we decide ok, this is the risk we might face this year, and we put the processes in place [for] how we can mitigate this risk of predictions and to achieve them. Our bank is very much [like] aware of the risk, as when you are a bank you should be very much aware and you should have precautions about the risk you face because you are dealing with other people's money, the customers' money you are dealing with.* *(Interviewee GM01)*

Managers' responses also expressed concern over the risk of revealing plans that may compromise their company's competitive advantage. The IIRC (2013c) notes that organisations are not expected to disclose information that might significantly harm their competitive advantage. We found that several levels of approval are needed for such disclosures:

> *We deliberate before releasing sensitive information to the public - competition is very high […] several levels of approval are required before it is released.*
> *(Interviewee FM01)*

We provide two examples of how companies convey 'future outlook' information. Figure 1 illustrates[2] minimal disclosure about the future, while Figure 2 provides more extensive and quantified forward-looking information, explicitly describing each business area, key goals, quantified targets and strategy to achieve the quantified targets.

A Look into the Future

Sri Lanka's economic growth in the current year is not expected to increase beyond 5%, having been inhibited by the consequences of adverse weather conditions and various domestic challenges. However the restoration of the GSP Plus tariff concession and various initiatives being taken to attract FDIs are expected to increase investment and stimulate the economy to achieve higher rates of growth in the years to come.

As mentioned earlier in my report and in my previous report as well, the company needed the required space in the year under review, for the consolidation of its gains achieved over the last several years. We have since put in place a platform to create new capacity with which to achieve greater sustainable growth in profitability and shareholder wealth in the years ahead. I am optimistic that the ambitious targets set by management for itself to make CDB a bigger, better and stronger organisation, is achievable, given the commitment and dedication displayed by a dynamic management team and a multi talented workforce.

Your Board of Directors has an unwavering commitment towards good governance, regulatory compliance and the mitigation and management of strategic risks in its quest to foster a reputed brand that anchors everything we do.

Figure 1: Example of minimal future-oriented disclosure (Source: Citizens Development Business Finance PLC, 2016/17, p. 17)

[2] To ensure anonymity of the interviewees and their companies, we provide examples of the disclosures of sample companies and/or similar disclosures made by other companies.

Business area focused upon	Key goals	Quantifiable targets	Future strategy
Developing Lending Business	• Maintaining steady lending portfolio growth • Lending without compromising on asset quality • Optimal product mix to generate optimal yields	• Lending growth: > 20% • Non-performing lending ratio: < 3% • Traditional lending versus non-traditional lending: • Out of total lending Traditional lending contribution: >50% • Non-traditional lending contribution: >30%	Widening branch contribution to performance We hope to expand our business presence by establishing additional operational locations in areas deemed advantageous to non-traditional lending and to garner deposits. The aim is to generate satisfactory portfolio growth on lending and to improve branch contribution along the way. Instilling effective credit and recovery operations In safeguarding asset quality, we hope to implement stringent credit control measures particularly for higher risk lending products. We hope to maintain sound collection levels by instilling effective recovery measures like in the past. The internal valuation and vehicle disposal unit is expected to play an integral role in this process.
Steady mobilisation of Deposits	• Building a loyal deposit base • Increasing branch deposit mobilisation targeting more retail business	• Deposit growth: > 15% • Branch deposit contribution: > 10% of new deposits	Branch deposit mobilisation There will be increased focus in developing branch retail clients. Branch staff performance evaluation will aligned to this requirement and top performers recognised. Extending a superlative service Plans are underway to provide more convenient methods of transacting with depositors targeting greater decentralisation of deposit operation. Branch staff will be trained to handle deposit mobilisation, keeping to MI's superlative service standards.
Generating Economic Sustainability Value	• Creating economic value for the benefit of investors, finance industry and Sri Lankan economy as a whole	• Growth in Net profit after tax: > 10% • Growing Economic Value Added: > 5% • Growth in value addition: > 5%	Generating robust profits annually Through a close performance monitoring process, the Board, Corporate Management and all staff will be expected to stay committed to set targets and goals based on the Board approved strategic plan. Weekly, monthly, quarterly and annual performance reviews will be carried out to assess continued efforts, so that any deviations could be identified early and resolved promptly. Optimistic KPI's set for future in terms of revenue generation, profits, asset growth etc. will form the base for evaluation and performance monitoring.
Generating Social Sustainability Value	• Widening MI's positive impact to society moving beyond the sphere of commercial profit	• Increasing staff welfare cost: >10% per annum • Non-profit making social related projects: > 12 projects a year	Bringing MI's financial solutions to those deserving By widening our presence and broad-basing financial solutions, over the next three years we hope to widen our social impact in terms of bringing forth greater opportunity for those in need of funding which will pave the way communities to be transformed and enriched.

Figure 2: Example of extensive future-oriented disclosure (Source: Mercantile Investments and Finance PLC, 2015/16, p. 197-199)

4.2 Strategies for dealing with the risk of disclosing future-oriented information

The five risk themes discussed in this section cover the strategies that managers used for dealing with the risk of disclosing future-oriented information. Our research found that the managers' strategies, include:1) making conservative, non-specific predictions to mitigate the risks of providing future-oriented information; 2) increasing the accuracy of their predictions; 3) remedial actions, variance monitoring and performance management systems; 4) disclosing ex post explanations for not achieving previously disclosed targets; and 5) linking disclosed targets to the company's management of risk procedures. As a way to further analyse the managers' risk decision-making strategies, we apply Riesch's (2013) five layers of uncertainty surrounding the risk of future-oriented information IR disclosures.

4.2.1 Conservative non-specific predictions, increasing the likelihood of target achievement, reducing risk

The findings indicate that some managers manage the risk of disclosing future-oriented IR information by being conservative in their estimates.

We can forecast another 40 branches, but we don't do that. […] If we want, we can open another 40 branches but instead we say we have a big sales target, something like that. We want to be very conservative. *(Interviewee BM01)*

Our findings support Baginski *et al*.'s (2004) view that managers guard against the risk of uncertainties associated with future-oriented disclosure by providing broad, generic and non-specific information. Managers believed that the non-achievement of specific predictions were easier to identify by users.

When we give our outlooks, we don't get into speculation. What we say is a very broad directional thing. This is because what you say could be right today but it could be wrong tomorrow. We don't disclose unless we are very sure it's going to go ahead. (*Interviewee EE01*)

Riesch's (2013) first layer of risk, uncertainty of outcome, is thus illustrated by the managers' behaviour on future-oriented information disclosures. Menicucci (2018) found that integrated reports contained little quantitative forward-looking information. Our study reinforces this finding. Our managers said they prefer qualitative disclosures, because quantitative disclosures tended to be more specific and therefore riskier. They explained that stakeholders found it easier to compare numbers and would use those numbers to hold them accountable:

We give qualitative information on the strategies. […] We give [the] qualitative information, like we hope to grow our branch network, we have these kinds of products, and we are planning to serve this kind of market, this kind of operation we are going to have in the future which will help. What information we give outsiders is a thing that we need to manage. *(Interviewee GM02)*

Our managers indicated a preference to make predictions about matters they are able to control, and they adjust their predictions to ensure they can do so by being conservative.

I think we can predict and we are predicting so that things are within our control. I won't make predictions that put me under pressure, because the expectations are lifted outside of my control [....] *(Interviewee EM01)*

Thus managers attempt to increase the likelihood of target achievement. This finding raises the issue of the actual usefulness of such future-oriented information disclosures.

Figure 3 shows an example of the disclosure of goals in the integrated report of Sampath Bank PLC (2016), illustrating how future-oriented disclosures are often made in a non-specific, qualitative manner, which reduces the risk of non-achievement of predictions.

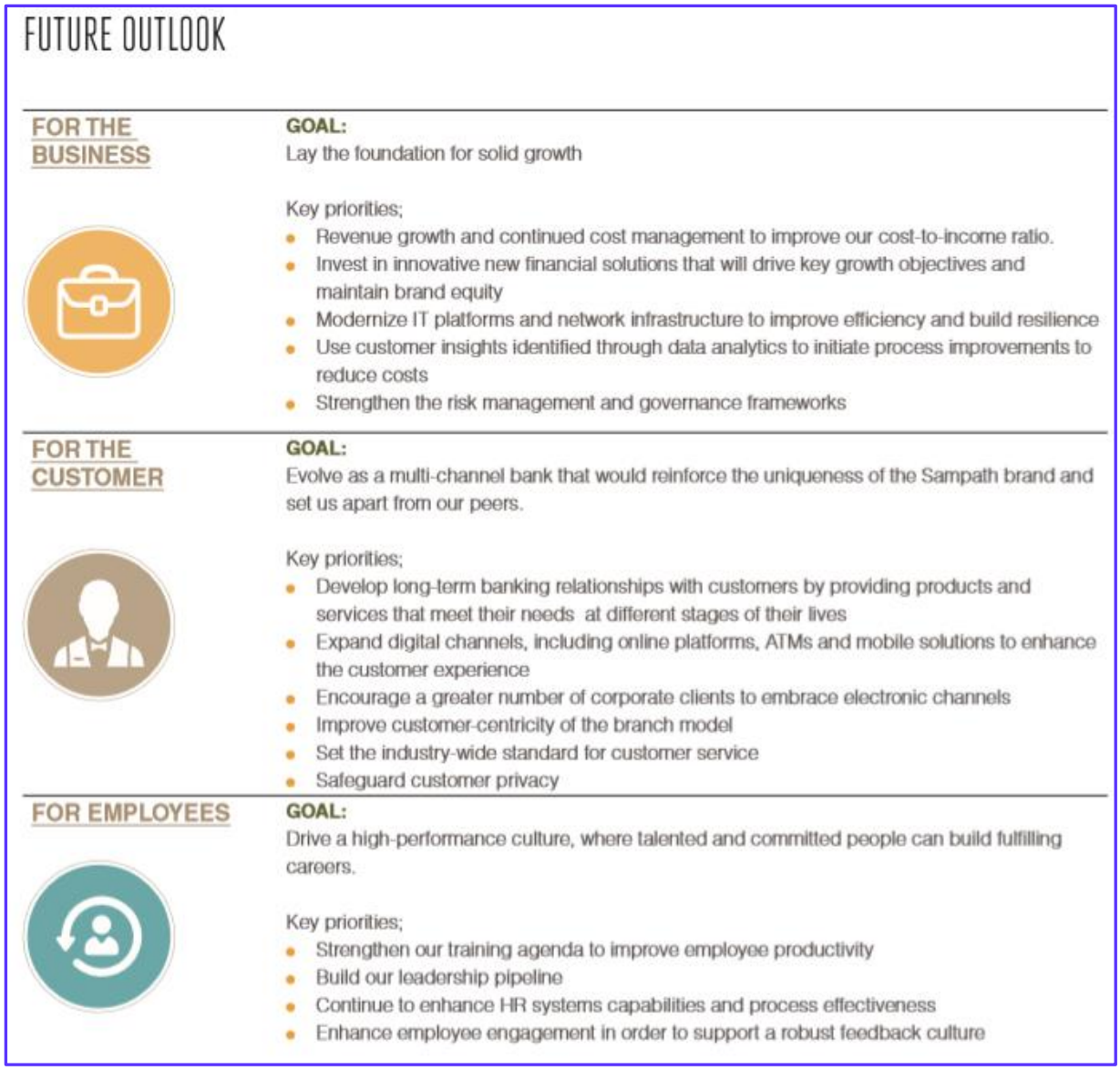

Figure 3: Future Outlook (Source: Sampath Bank PLC, 2016, p. 134)

4.2.2 Accuracy of predictions, increasing the likelihood of achievement, reducing risk

Our findings indicate that, to mitigate the risks associated with future-oriented disclosures, managers believe predictions need to be as accurate as possible. One way managers can improve accuracy is by building their financial predictions upon non-financial targets. Integrated reports differ from the earlier methods of preparing business information[3] for stakeholders; in that sense, IR encourages the integration of financial and non-financial information (IIRC, 2013a). While the fact that financial forecasts are derived from non-financial forecasts is common knowledge, the IR requirement of providing such disclosures in a publicly available report is a new phenomenon. IR preparers perceive this type of future prediction disclosure to carry significant risks, particularly if the information turns out to be inaccurate. The following quote explains the detailed processes managers employ to reduce these risks:

[3] Flower (2015) indicates that "the IIRC specifically refers to four different strands of reports provided by firms: Traditional financial statements, Management commentaries, Governance and remuneration reports and Sustainability reports" (p.3) and that the "IIRC's basic thesis is that these four strands need to be better integrated" (ibid).

> *Our financial predictions are based on non-financial predictions. The non-financial predictions are made by analysing the industry, seeing the future opportunities and the threats, also taking into account the capabilities of our management. We focus on the non-financial aspects and then drill down to the financial aspects of the company. If you don't manage the non-financial predictions, you will automatically fall behind with the financial predictions.* *(Interviewee DE03)*

Although managers indicate that they base their financial predictions on non-financial predictions and that they analyse the industry and other parameters to make 'accurate' predictions, the correctness or certainty of the parameters they use can still raise questions of accuracy. Riesch's (2013) second layer of uncertainty raises concerns about the uncertainty surrounding the parameters. In this regard, our interviewees suggest that scenario planning enhances their ability to make accurate and achievable predictions. The challenge for managers, however, is the "demand that external data sources are true and verified before we use them to aid our future predictions" (Interviewee AM01). The increasing prominence of 'disclaimer' statements attached to all published reports, however, raises the question of whether external data sources meet the 'truth and verification' challenge.

Riesch's (2013) third layer of uncertainty indicates that the choice of an unrealistic model can lead to increased uncertainties. Managers indicate the use of past data for their future modelling of 'reliable' predictions. They believe they are answerable for predictions not achieved and therefore they aim for attainable targets:

> *We want to give realistic predictions. Never to give false forecasts to satisfy others, which we can't justify to ourselves. We have critical discussions before releasing data. When we disclose predictions, we have to make sure that they are likely to be attainable. We release only numbers that we feel are achievable because we have to answer to them.* *(Interviewee BM02)*

The interviewees provided examples of various techniques that are used to test the accuracy of their predictions:

> *Managing the risk of financial predictions is done by conducting stress testing, financial modelling, budgeting etc. The possible results of various poor estimates for variables are calculated by inserting a range of possible values for key variables and observing the impacts.* *(Interviewee BM04)*

Our study, found that management at all levels of management in Sri Lankan companies were required to endorse future-oriented information before any such disclosures appeared in the integrated report:

> *We collectively discuss all the data projections. We get inputs from all interested parties, MD, CEO and Business Development Managers. We obtain the consent of each of them to any projections that are published.* *(Interviewee BM05)*

Most managers stressed the need for accurate forecasting to reduce the uncertainty element of risk around disclosing of future-oriented information. We found that managers were concerned about the litigation risks arising from inaccurate forward-looking disclosures.

4.2.3 Remedial Actions, Variance Monitoring and Performance Management Systems

Riesch's (2013) fourth layer of uncertainty relate to the limitations of assumptions, thereby suggesting limitations to even the best models. As evidenced in AM01's response below, the aim of the weekly management meetings held in this manager's company is to identify limitations and to take remedial action:

> *Operational units within the company are following up…. We have weekly management meetings. In these meetings, we discuss the progress on our predicted targets. [...] Within these meetings, […] remedial action plans are agreed upon.*
> *(Interviewee AM01)*

The type of remedial action plans that managers appear to be undertaking to achieve their prediction targets could raise red flags. A significant number of interviewees (15 of the 33 interviewees and 6 out of the 8 case companies) indicated that they did not want to see variances from their predictions. The managers felt that they had to achieve the disclosed predictions through a system of regular monitoring. A system that they have modified because of IR implementation. They explain that this monitoring process required immediate action:

> *We don't want to have any variances. There is managing risk in all financial or non-financial predictions, so we have to keep continuous monitoring processes. If there are changes required, we investigate them immediately. I see acceleration into this process after the introduction of IR into the company.* *(Interviewee BM05)*

Interviewees suggested that linking predictions to the performance management system is a very important motivational mechanism for target achievement:

> *Predictions are broken down […] and then the performance management system is such that each employee's performance, including top management, is measured against those objectives… all our salary increments, bonuses, even promotions everything is linked to those goals and objectives. So that's why we ensure that they are achieved.* *(Interviewee DM01)*

Disclosed predictions become part of the performance management system when these predications are tied to the key performance indicators (KPIs) of relevant employees:

> *[…] some of the predictions are brought in to the KPIs of the staff. Mostly when it is KPI-driven, the achievement of those predictions is also driven by those KPIs. […] So, as a result, the level of achieving the predictions is looked after throughout the year.*
> *(Interviewee FM05)*

> *We have a performance-based culture. […] Whenever the management wants to get things done, they inculcate them into KPIs. Predictions are, therefore, incorporated into the KPIs of individuals.* *(Interviewee FM01)*

Strategies are put in place to ensure that the employees making the predictions know that they are the 'risk-owners' and carry the responsibility for achieving the predictions. Employees are held accountable for not achieving the prediction targets of the future-oriented information IR disclosures. Therefore, they could be reluctant to make best estimate predictions.

4.2.4 Disclosing ex post explanations for not achieving previously disclosed targets

Part of Riesch's (2013) fourth layer of uncertainty relates to issues of which we do not know enough, and which we can deal with in informal, qualitative ways or even by denial. Our

interview findings indicate that managers provide formal qualitatively formulated explanations of their achievements and non-achievements in the following period's integrated reports, rather than following Riesch's (2013) suggestion of doing so informally. As FM05 said:

> *We have been transparent to […] all the stakeholders. We disclose what was predicted and what the achievement was. We clearly mention what is the level expected and what we have achieved and for the deficit we clearly mention the reasons, what are causes […] for us not to achieve those predictions.* *(Interviewee FM05)*

The IIRC guidelines on IR do not specify a requirement for companies to explain the non-achievement of prediction targets. This kind of disclosure is therefore an additional disclosure that Sri Lankan companies have adopted to mitigate the litigation risk where they have not achieved their disclosed goals (see earlier Section 4.1 and also EM01's response: "They may even sue me"). We asked managers why they chose to disclose non-achievements of future-oriented information in their integrated reports when doing so risks creating negative perceptions of the company's performance. The interviewees explained that their strategy is to give assurances to their stakeholders that they know they have fallen short but that they are confident of achieving the current set of goals by overcoming the identified barriers:

> *We disclose how far we have achieved it during the year and, if there is a fall behind or if there is a gap, what is the reason for non-achievement and also we give them information as to what we are going to do in the future to ensure that gap does not exist. Even though there [might be] a negative perception that is being created, we disclose the non-achievement of predictions.*
>
> *(Interviewee DE03)*

Figure 4 shows an extract from Mercantile Investments and Finance PLC (2015/16), which discloses the company's post-tax profit target and their achieved level for the financial year 2015/16. The company failed to achieve its predicted targets and provided the reasons for their non-achievement. For instance, in its integrated report the company provided reasons such as the decrease in profitability because of the lower core margins due to the repricing effect resulting from the persistent rise in interest rates, and that revenue generation was relatively slower paced than the cost escalation that took place due to expanding operations (see circled texts).

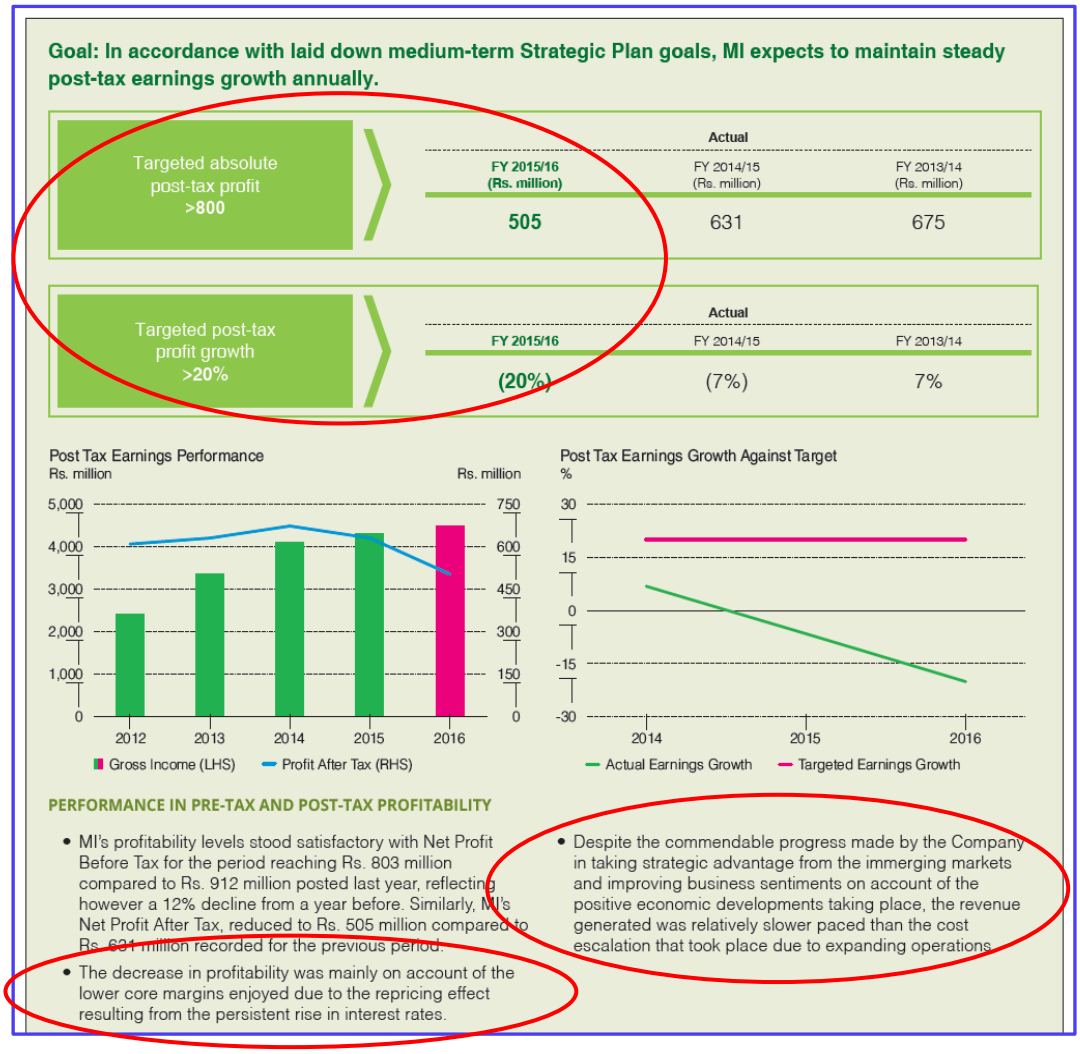

Figure 4: Management Discussion and Analysis – KPI: Profitability Performance (Source: Mercantile Investments and Finance PLC, 2015/16, p. 92)

4.2.5 Linking disclosed targets to existing risk management procedures

Managers deal with uncertainties and risks relating to future-oriented information IR disclosures, by setting up risk management departments/committees. For instance, several interviewees mentioned the involvement of risk management committees in the risks associated with disclosed objectives and predictions. It appears that managers are attempting to deal with unknowns, relating to Riesch's (2013) fifth layer of uncertainty about unknown inadequacies.

> *We have various committees… Now [after the introduction of IR] we meet very regularly and we discuss the possible issues, risk areas and then we take decisions to overcome those […] risks.* *(Interviewee FM02)*

> *We have […] committees […] particularly the risk management committee who […] identify the risk involved.* *(Interviewee DM03)*

Managers indicate that their risk management departments identify risks, devise strategies to address the risks and execute those strategies with support from fellow employees. It is evident from the interviews that these IR companies are linking the disclosed predictions to risk management processes and using these existing processes to mitigate the risks of disclosing predictions:

[…] if management thinks that there is a certain risk element involved in this particular prediction, they refer it to the Integrated Risk Management Department.
(*Interviewee FM01*)

The majority of interviewees indicated that the identification of key risk indicators is important:

To manage the risk of non-financial predictions, we need to have financial data. This will be done by allocating key risk indicators. […] With the introduction of IR, predictions etc., the attention to risk indicators and frequency of monitoring have increased. *(Interviewee BM04)*

BM04 provided some examples of financial ratios that are monitored against planned levels, which the company uses as a warning that the predictions in their integrated reports are at risk.

Some managers indicated the use of strategies that involve the employment of special internal risk assessment procedures to measure the risks of disclosure of future-oriented IR information:

[…] we understood that our valued stakeholders require more than the financial numbers without compromising confidentiality. We have internal risk assessment procedure[s] and we evaluate futuristic information based on our internal process and parameters [...]. *(Interviewee AM02)*

[…] for all the relevant risk identification including the risk of predictions we have a process. The group management committee identifies all the risks […] if the organisation does not address the risk, that's a failure, a major failure. So, whatever the action taken against the future risk, the risk of prediction, we publish in the report. *(Interviewee CE01)*

The findings indicate that all eight companies have risk management departments, which in some cases are referred to as 'Integrated Risk Management Departments'. Most interviewees also indicated that, in their company, the risk management department was responsible for managing the risk of making and disclosing future-oriented predictions in the integrated report. The interviewees indicated that future-oriented disclosures in the integrated report had to be carefully considered by the risk management committee before any such disclosures could be made public.

5. Conclusion and Final Remarks

This study is one of the first to provide insights into how managers manage risks of disclosing future-oriented information that should be provided in their companies' integrated reports. Semi-structured interviews with managers directly involved with the provision of future-oriented information in listed Sri Lankan companies were conducted. Significantly, we found that, managers emphasised the point that disclosing future-oriented information in integrated annual reports involved significant inherent risks that they identified and had to manage. The interviewees were fully aware of and concerned about the risk of disclosing future-oriented information. The interviewees also indicated that they were reluctant to disclose future-oriented information because of the risks and uncertainties involved with such predictions and disclosures.

The findings revealed several strategies including not getting into specifics, making 'accurate', 'realistic', and 'reasonable' predictions, linking disclosed targets to performance measurement systems to make individual managers responsible, and the involvement of established risk management processes and committees to assess and manage the risk of

disclosing future-oriented information. However, our findings indicate that these links and processes cause managers to become *conservative* in their predictions, rather than to make *best estimate predictions* to provide useful information for informed decision making by external stakeholders. Furthermore, a strategy that managers apply to manage risks associated with the disclosure of future-oriented information in integrated reports is the provision of explanations and rationalisations for the non-achievement of past future-oriented information disclosures. Interviewees revealed that companies preparing integrated annual reports protect themselves against investors who may consider litigation against the company for not achieving its predictions by disclosing information regarding the non-achievements of past predictions in their integrated reports.

The interviewees were prepared to make only predictions for which they had carefully evaluated the risks. Managers undertook a thorough investigation of disclosed information, as they wanted to contextualise their risk explanations by engaging with their management group, peers and risk management committees. Managers were more concerned about reducing the risk associated with providing future-oriented IR information than with the usefulness of that information. Another key issue is that the reluctance of the Sri Lankan case companies to disclose quantitative future-oriented information means their predictions are generic in nature. Some managers tried to reduce the risks of providing future-oriented IR information by providing qualitative information without quantifying it. We suggest that this risk aversion behaviour is an unintended consequence of IR and could significantly reduce the usefulness of integrated reports. Therefore, the IIRC and regulatory authorities need to consider how predictions in integrated reports can be improved by IR preparers to provide information that is more useful, arguably, in the form of best estimate predictions, instead of conservative predictions, which defeat IR's purpose providing investors with decision-useful information.

Although this study was conducted in a developing country, it has broad implications for other settings. While IR is voluntary, there is regulatory pressure for listed Sri Lankan companies to prepare integrated reports. At the commencement of this study, only 16 out of Sri Lanka's 294 listed companies had taken up this IR challenge. The IIRC and other regulators, such as stock exchanges and regulators tasked with investor protection, may be interested in this study because of policy implications. In summary, this study reveals that managers are reluctant to disclose future-oriented IR information due to the significant risks and uncertainties inherent in these future predictions. In response, managers tend to be conservative in their predictions. This strategy may reduce the utility of IR for investors.

This study's limitation includes the fact that it commenced in 2014, involved a small number of companies, and has a single-country focus. Since 2014, Sri Lanka has seen phenomenal growth in the number of companies adopting IR, now around 50 companies. Nevertheless, it is likely that our findings will have important implications for managers of IR companies, regulators, the IIRC, CASL and other reporting authorities.

This study has three major implications. First, there are practical implications. The study describes strategies that managers use to mitigate the risks involved in disclosing future-oriented information. These approaches and strategies can provide support , or raise concerns, for managers not only in deciding how to deal with such risks, but also for regulators tasked with investor protection, and stock exchanges interested in the transparency and accountability of listed companies' activities. The IIRC should also be interested in this study's practical implications, because some of the identified strategies could undermine the usefulness of integrated reports to stakeholders.

Second, there are concerns regarding the broader implications arising from the findings. The trend of future-oriented information moving from being used only in organisations' internal management systems to being externally reported in integrated reports has implications for stakeholder groups who are interested in analysing the reported targets. This study reveals how

managers in their management of risks relating to future-oriented information disclosures adopt strategies that could reduce the relevance and reliability of these disclosures for integrated report users. Stakeholder groups who have a better understanding of the strategies used by managers to disclose future-oriented information will have a more insightful knowledge about the conservative and non-specific nature of such prediction disclosures and hence have a better sense of how reliable the information is for their decision-making.

The third implication is related to research. This Sri Lankan study was conducted at a time when Sri Lankan companies were just starting to adopt IR. We found that managers were struggling to implement some of the IR principles, particularly those related to future-oriented information IR disclosures. Gunarathne and Senaratne (2017) suggest that Sri Lankan IR adopters may have transitioned rather than reformed their reporting practices. The phenomenal growth in IR in Sri Lanka may suggest that some of these concerns may have been addressed. We believe that the increase in IR in Sri Lanka does suggest that annual report preparers are gaining confidence in this newer form of reporting and are therefore engaging more in this manner of reporting. However, we endorse Gibassier et al.'s (2019) call for further in-depth IR research in Sri Lanka. A future study that investigates current managers' experiences in preparing integrated reports, in particular on future-oriented information, would inform stakeholders on whether the broader practical implications arising from this study have been addressed. Furthermore, future research that empirically evidences not just managers' experience with preparing integrated reports, but also how stakeholders and users actually use integrated reports would go some way to addressing Flower's (2015) concern regarding the failure of IR and his challenge as 'to whom' value is actually being provided to. Our findings on future-oriented information in integrated reports suggest that there is still a long way to go to achieve the IIRC's objective of integrated thinking in IR and to answer the question: "Do integrated reports provide better disclosures to stakeholders?" A further question is whether organisations can create sustainable value for society in line with the SDGs and the role of disclosure in this alignment. Along these lines, Adams (2020, p. 5) emphasises that organisations "need to consider their relative investment in financial versus non-financial reporting in light of the significance of sustainable development risks".

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Appendix 1: Profile of interviewees

No.	Company/ Interview No.	Interview Date	Interviewee's Position	Industry
1	A M01	29/01/2016	Manager - Finance	Insurance
2	A M02	7/02/2016	Chief Manager - Finance	Insurance
3	A E01	16/02/2016	Executive - Finance	Insurance
4	A E02	16/02/2016	Executive - Finance	Insurance
5	A M03	3/03/2016	Assistant Accountant	Insurance
6	A M04	3/03/2016	Chief Operating Officer	Insurance
7	B M01	8/02/2016	Director/CFO	Finance
8	B M02	9/02/2016	DGM - Finance	Finance
9	B M03	9/02/2016	Manager - Treasury	Finance
10	B M04	10/02/2016	Head - Risk Management	Finance
11	B M05	15/02/2016	AGM - Finance	Finance
12	B M06	16/02/2016	Head - Sustainability	Finance
13	C M01	17/02/2016	Director/CFO	Motors
14	C E01	11/03/2016	Assistant Manager	Motors
15	C M02	16/03/2016	GM - Human Resources	Motors
16	C M03	6/04/2016	Accountant	Motors
17	D M01	17/03/2016	Manager - Finance	Insurance
18	D M02	18/03/2016	CFO	Insurance
19	D E02	30/03/2016	Assistant Accountant	Insurance
20	D M03	1/04/2016	Head - Risk Management	Insurance
21	D E03	1/04/2016	Executive - Finance	Insurance
22	E M01	23/03/2016	Group Finance Director	Diversified Holdings
23	E E01	7/04/2016	Assistant Manager	Diversified Holdings
24	F M01	14/10/2015	Manager - Finance	Banking
25	F M02	15/10/2015	AGM - Finance	Banking
26	F M03	21/10/2015	Manager - FTP Unit	Banking
27	F M05	30/10/2015	Manager - Finance	Banking
28	G M01	5/04/2016	Senior Manager - Finance	Banking
29	G M02	5/04/2016	CFO	Banking
30	H E01	1/03/2016	Executive - Administration	Banking
31	H E02	1/03/2016	Assistant Manager - Finance	Banking
32	H E03	14/03/2016	Assistant Manager - Finance	Banking
33	H E04	17/03/2016	Executive - Finance	Banking