Integrated reporting (IR) and evolution of reporting approaches in the Oil and Gas Industry (Case Study of Oil and Gas Companies in Ecuador)

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1. Abstract

From investors’ insight, financial information is not sufficient to provide a holistic view of a given business. To offer a broader overview on the activity of an organisation, reporting approaches need to include both the common financial and non-financial part to deliver appropriate information on sustainable development and the impact of these activities in the long term. The main purpose of this study is to analyse integrated reporting approaches based on the reporting practices of three oil and gas companies – PetroSA (South Africa), Repsol Ecuador S.A and Petroamazonas EP (Ecuador). A cross-comparison of qualitative information obtained from their annual reports in 2012, 2013 and 2014 was examined. In terms of research methodology, the evaluation of the main sections in the reports was compared to the guiding principles provided by International Integrated Reporting Framework. Given that, there is the need to understand best reporting approaches, the level of disclosure and how such reporting practices are evolving to become more integrated over time.
Student Declaration

The work in this project was undertaken in partial fulfilment of the requirements of the University of Melbourne for the degree of Master of Environment. The views expressed are those of the author and might not reflect the views of the University of Melbourne, Office for Environmental Programs.

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2. Introduction

Integrated efforts amid capital markets, governments, non-profit organisations, academia, and advocates of integration of financial and non-financial information have been faced obstacles regarding more succinct and concise information. This endeavour leads to a better decision making process within the business sector. This decision making is emphasised, particularly to non-financial information as a fundamental part of organisation’s operation and its relevance for stakeholders. These stakeholders are diverse, involving companies to produce more accessible and pertinent data associated with company’s performance, operation and information beyond financial statements. Notwithstanding, this information is strongly advocated by organisations which are conjoining energies to advance and research more and new evidence to prove that corporations are gaining better results and enhanced performance through application of more integrated approaches.

Integrated Reporting <IR> is a new approach which seeks to combine financial and sustainability information within corporations. This combination pursues inclusion of multiple dimensions of corporate governance to help companies to communicate their business story and their value creation in the short, medium and long term. This contribution also impacts on company performance and the relationship to its business strategy. This subtle integration requires production of sufficient information in meaningful and useful ways. Hence, to harness this quality of information, <IR> offers an essential framework to evaluate and disclose significant matters of corporations in respect to financial and non-financial information. This framework is new and intuitive which guides different capital markets and business sectors toward accountability, stewardship and transparency. Nevertheless, little is known to fully state the labour of <IR>. 
Oil and gas is one of the most important industrial sectors worldwide which provides inputs for energy creation. This sector feeds up industrial processes and contributes to human activities toward progressively global economic growth. In these terms, Ecuador is developing its economy which relies heavily on oil and gas operations. These activities, nevertheless, fall into an array of critical actions such as exploration, exploitation, production, distribution and consumption of fossil fuels. These have led to massive destruction of the Ecuadorean Amazon Rainforest, notoriously underscoring, the Chevron oil contamination during its operation in 1964-1993 (North 2015). This dreadful consequence appeals an urgent disclose of appropriate information in respect to environmental credentials and other regulations that oil and gas companies must demonstrate to comply with legal rights to enable them to continue with their operation.

In this research, I will analyse the evolution and aim of <IR> framework to construct the basis and understanding of this approach as well as its application within organisations. These will be demonstrated by examining the nature and emergence of different reporting approaches toward the creation of <IR>. This research will also mention different capital markets’ organisations which advocate a global expansion of <IR>. Regarding research methodology, <IR> framework will stand as theoretical appliance to deeply analyse reports from oil and gas companies. These corporations are PetroSA (South Africa), Repsol Ecuador S.A. and Petroamazonas EP (Ecuador) which provide reporting methods and their evolution over 2012, 2013 and 2014 reports. For instance, PetroSA was an early adopter of <IR>, while Repsol Ecuador S.A. and Petroamazonas EP applied Global Reporting Initiative (GRI) 3.1 guidelines. The analyses of the reports will answer the research question to what extent and how reporting approaches are evolving toward more integrated methods and offer the next strides for further research of thereof.
3. Literature

3.1. Nature and evolution of <IR>

The nature and history of sustainability information was traced since 1960s, when Hogner (1982) through an endeavoured eight decades of analysing financial statements from a US steel company, found out that sustainability information had been displayed in narrative form or via non-financial data. These disclosures were focused on workers safety, mortgage assistance for employees, workers housing and community development. This employee information was a part of development of social reporting.

In 1960s – early 1970s, In the United States (US), social reporting was the onset of social issues. Reports disclosed issues such as women rights, world peace and racism which had been considered major concerns by companies (Soderstrom 2013). Consequently, human resources, employees, environment and relations were also included in this report. Nonetheless, this information was also part of financial statements rather than an individual report (Soderstrom 2013; Buhr, Gray and Milne 2007). Economic recession was an external factor fracturing social reporting. The US and the United Kingdom (UK) economic crisis governed by Ronald Reagan and Margaret Thatcher in 1980s (Soderstrom 2013) prioritized deregulation and economics rather than social and environmental issues which had occurred during this period (Buhr, Gray and Milne 2007). In contrast, some companies such as Quaker Cadburys (chocolates), cited in Rowlinson and Hassard (1993), indicated humanitarian ideals and profound concern about social issues. This had pushed companies’ agendas to reveal information of social matters and thereby social reporting development.

Environmental considerations began to appear after a string of catastrophes occasioned by companies in the late 1960s. In the US, companies dumped industrial waste into the
waterways (Cuyahoga river, Cleveland), producing environmental contaminations (Soderstrom 2013). This disaster raised creation of laws and policies to boost water and air protection. These laws had been ruled out companies into application of environmental costs in regard to raise awareness of environmental issues.

In the Mid-1980s, another environmental damage triggered more awareness in respect to the environment launching new developments of acts and laws to control corporations. For instance, in Bhopal, India, a chemical leakage contaminated land and air causing 20,000 deaths and left 600,000 people with physical disabilities (Ramesh 2009). This outrageous disaster influenced countries and corporations to take action in respect to toxic substances. “Responsible Care” was an environmental program developed by Canadian Chemical Producer Association (CCPA) (Webb 2004) which required accountability, regulation and control of chemical industries to diminish environmental issues. The US similarly created its program “Emergency Planning and Community Right-to-know Act” by requiring US companies to report releases of more than 320 toxic substances (Soderstrom 2013). This action promoted development of the first environmental report which disclosed that one billion kilograms of substances had been released into the environment, initiating an urgent chemical reduction by chemical organisations.

After environmental and social reporting approaches, the Triple Bottom Line (TBL) came into as sustainability reporting approach. The TBL is a concept created in 1994 and re-energised by John Elkington in 1997. Elkington (1997) argued that business should not report merely on economic measures such as revenue, profits and financial indicators, but also companies should incorporate environmental and social aspects within their business strategy and operation. This approach explains that environment and society appealed the same value as economy and thus the need of the three dimensions to be reported alongside each other. Although interconnection of them was a significant challenge for the TBL concept.
Thereafter, Corporate Social Responsibility (CSR) report appeared in the merger of financial, environmental and social reports, but this merger did not follow TBL guidelines. Hence, Global Reporting Initiative (GRI) organisation developed sustainability reporting guidelines and relabelled the TBL (GRI 2015). In this GRI approach, voluntary nature was a barrier of the framework because the reports are voluntary, corporations are likely selective in their choices to report and what they include if they indicate to do so (Potter and Soderstrom 2014). Also, the unregulated nature is another major flaw of sustainability method due to no standardized terminology that can be used unambiguously to interpret report content and reporting developments (Buhr, Gray and Milne 2007).

After this sustainability trajectory, different capital markets organisations conjointly with International Integrated Reporting Council (IIRC), businesses, governments, experts and community work in a collaboratively manner to improve reporting approaches (IIRC 2013, 2015a). These organisations are represented by Global Reporting Initiative (GRI), London Benchmarking Group (LBG), Sustainability Accounting Standards Boards (SASB), International Financial Reporting Standards (IFRS) and others (IIRC 2015b). These contribute to <IR> development through their experience in different sectors, improving disclosure, transparency and accountability in the report.

3.2. Integrated Reporting <IR> framework

<IR> is a new reporting framework for corporations created by IIRC. <IR> endeavours a differentiation from other reports. This is carried out by incorporation of governance and leadership to develop integrated thinking and connectivity of information into business strategy and corporate performance. This integrated thinking is the connection of various functional and operating units and the six capitals (financial, manufactured, intellectual,
human, social and relationship and natural capital) that companies use or affect (IIRC 2013).

Besides, existing traditional financial reporting purely focuses on one, the financial capital. This integration is the catalyst of actions and decision-making to break down internal silos and reduce duplication to enable more efficient and productive capital allocation concentrated on value creation in the short, medium and long term.

<IR> lays out an array of guiding principles and content elements. These are classified into strategic focus and future orientation, connectivity of information, stakeholder relationships with the organisations, materiality, conciseness, completeness and reliability, and consistency and comparability (IIRC 2013, p. 5). These principles are also complemented with content elements such as organisational overview, governance, business model, risk and opportunities, strategy and resource allocation, performance, outlook and basis of preparation and presentation. By applying the guidelines and elements, <IR> model, *figure 1*, is the masterpiece for companies to be able to communicate business story and create value over time.

*Figure 1*

(CIMA, IFAC and PWC 2013, p.1)
4. Selection and Background of Oil and Gas Companies

Three oil companies were selected to investigate different reporting approaches. These companies are as follow:

PetroSA, South African National Oil Company, was formed in 2002 by the merger of two private companies Soekor (Pty) Limited and Mossgas (Pty) Limited and incorporation of Central Energy Fund (CEF), a governmental organisation (PetroSA 2015). The company’s core business is exploitation and production of oil and gas-to-liquid (GTL). The selection of this company was made because of its first adoption of <IR> in 2012, since then the company has been refining its information to spur more understanding and integration of its business strategy, corporate performance and integrated thinking toward its long term value creation.

Repsol Ecuador S.A, on the other hand, is a Spanish branch company located in Ecuador, formed in 2001, and its core business is exploration and production of oil and GTL products. This company operates in the Ecuadorean Amazon Rainforest in Block 15 and Tivacuno (Repsol 2015). This company has produced CSR Reports through application of GRI 3.1 guidelines. This report provides valuable information in terms of economic, environmental and social aspects. Also, this information could be comparable with the other two companies in analysis to parallel corporate performance and business strategy.

Petroamazonas EP, Ecuadorean National Oil Company, was formed in 2010 and its core business is also the exploration and exploitation of hydrocarbons (Petromazonas EP 2015). This third company was selected because of its operation in the Amazon Rainforest according to the environmental impacts caused by Chevron. Recently, the company has published a Sustainability Report by applying GRI 3.1 guidelines.
The selection of these tree companies is appropriate to carried out this analysis in regards to the following aspects: (i) first, the three companies belong to the same sector; (ii) second, they share the same oil and gas operation methodology; (iii) third, companies’ commitment in regards to the environment and society; (iv) and last but not least, the tree companies are undergoing to a progressive improvement of reporting approaches. These four characteristics suit flawlessly to compare these three spectrums. This will contribute to my results to attain best practices, level of disclosure and evolution of these reporting approaches.

5. Research Methodology

In order to address the research question in this study, I will study 8 companies’ reports informed by their content analysis (Beattie, McInnes and Fearnley 2004) as primary method for gathering and evaluating the data. This approach provides two specific advantages for this research paper. First, it allows the reports information to be studied and understood within their framework in which those reports were elaborated. The failure to do so may interpret that the analysis of the reports becomes complex from their historical and organisational context, and examination arises without an appreciation of the pertinent variables that shaped the development of <IR> as a method or the reporting choices made by organisations concerned. Second, interpretive case-based approach utilized in this research project helps the investigation to be steered in a manner that is not restricted by hypothesis that business reporting change is necessarily a story of direct evolutionary progress from the “early” past to the ‘more advanced’ present (Carnegie and Napier 1996; Carson and Carson, 1998; Parker 1999).
To explore the question “to what extent and how are reporting approaches evolving toward more integrated methods”, I will examine 2012, 2013 and 2014 oil and gas company reports according to the official establishment of <IR> framework in 2013, see Table 1.

**Case selection (Table 1)**

<table>
<thead>
<tr>
<th>Integrated Reporting &lt;IR&gt; framework</th>
<th>Global Reporting Initiative (GRI) 3.1 guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>PetroSA</td>
<td>√</td>
</tr>
<tr>
<td>Repsol Ecuador S.A.</td>
<td>X</td>
</tr>
<tr>
<td>Petroamazonas EP</td>
<td>X</td>
</tr>
</tbody>
</table>

The aim of my research is to inspect the reporting approaches, degree of disclosure and how they are evolving toward more integrated methods within these organisations. My research does not pursue to analyse the relative virtues of sustainability made by companies. Rather, my intentions are to explore how such activities are being reported over time in the context of reporting approaches and their evolution. My analysis required three years period 2012, 2013 and 2014 see Table 2. To make possible this analysis, *The International Integrated framework 2013 - <IR>* will support the cross-comparison of the reports to understand the amount of disclosure and how broader dimensions of oil and gas business strategy, activities, resource allocation and corporate performance are being more integrated in one report to create value over time.

PetroSA is part of “King III Code of Corporate Governance” which was established by South African government. This code is a significant milestone in the evolution of corporate governance and has become necessary for anticipated companies Act, changing trend in international governance (PWC 2015) and mandatory implementation of <IR>. Kings III implementation provides positive results and eliminates or ameliorates any possible negative effect on the economic life of the community in which a company operates whilst <IR> enhance value creation, transparency and accountability in organisations. In contrast, the
other two companies, Repsol Ecuador S.A. and Petroamazonas EP, have adopted *GRI 3.1 guidelines* to disclose non-financial information regarding transparency and accountability in business operation, environment and society. Across these three companies, evidence will be found out to show evolution of reporting during the three periods.

**Report Review (Table 2)**

<table>
<thead>
<tr>
<th>Year</th>
<th>PetroSA</th>
<th>Repsol Ecuador S.A.</th>
<th>Petroamazonas EP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Integrated Annual Report</td>
<td>Informe de Resposabilidad Corporativa (Corporate Responsibility Report)</td>
<td>Memoria de Sostenibilidad (Sustainability Report)</td>
</tr>
<tr>
<td>2014</td>
<td>Integrated Annual Report</td>
<td>Informe de Resposabilidad Corporativa (Corporate Responsibility Report)</td>
<td>Not reported</td>
</tr>
</tbody>
</table>

A cross-comparison of 8 reports see *Table 2* is taken to comprehend their reporting practices and how their business story evolved over time. This is important because it enables to identify how these companies are deploying levels of disclosure and relevance of the information in order to reduce duplication amid other companies’ reports. Disclosure index and thematic context analysis approaches were applied to carry out this study (Beattie, McInnes and Fearnley 2004). *<IR>* framework will support comprehension of the extent of disclosure of the cross-comparison of the reports within oil and gas sector, in particular transparency, accountability and value creation. These elements clarify the conditions under which non-financial information can be expressed to meet these objectives. Each company evaluated in this analysis is known to engage with non-financial information in order to satisfy these conditions.

The *<IR>* framework deploys an appropriate referent to understand reporting approaches, specifically the extent of disclosure and value creation over time. Given the developing nature of the literature in this field and since the objective is in reporting of information rather
than examining the business activities. My research project will assess major criteria from the reports based on <IR> framework and will evaluate the compliance of reports with this framework as such. One thing of interest is that companies are also becoming more sustainable by applying reporting methods. Undoubtedly, little is known whether or not <IR> approach is causing this transformation into companies. Moreover, it is unknown whether companies might evolve merely applying other reporting approaches rather than companies with <IR>. These uncertainties bring the need of research. A set of requirements made by the <IR> framework will be set out in Table 4 for each company. To frame the examination of the application of <IR> framework, three inter-related questions are displayed as follows: i) whether its connectivity of information into the business strategy and corporate performance was clearly articulated; ii) whether the specific element in request was well-defined in the report; iii) and whether there was clear evidence of the impacts of the reporting methods.

Table 3 provides examples from the companies’ reports to demonstrate so.

Table 3

<table>
<thead>
<tr>
<th>Text</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Was connectivity of information demonstrated between business strategy and corporate performance?</strong></td>
<td><strong>Petroamazonas EP</strong> mission states that to develop strategic activities such as exploration and exploitation of hydrocarbons in efficient, sustainable and secure manner, with social and environmental responsibility, supported by outstanding and qualified human capital for contributing to Ecuadorean energy development (Petroamazonas EP 2015).</td>
</tr>
<tr>
<td><strong>Were the elements and guiding principles well defined in the report?</strong></td>
<td><strong>To underpin its vision by 2020, the strategy is focused on making the company integrated in full capacity and competitive in commercial sector, sourcing at least 25% of South Africa’s liquid fuel needs by 2020.</strong></td>
</tr>
<tr>
<td>Eg. Sustainability inclusion within the business strategy</td>
<td><strong>Company’s vision is supported by four key strategic focus areas:</strong></td>
</tr>
<tr>
<td><strong>1. Sustainability:</strong> It is fundamental on the company’s needs to guarantee constant and varied income inputs that succeed into the future. This is indissolubly connected to sustaining the Gas-To-Liquid (GTL) refinery as a key**</td>
<td></td>
</tr>
</tbody>
</table>
element for growth.

2. **Growth:** South Africa’s energy supply is the major concern for PetroSA which encourages the company to build itself into a significant player and leader in the country’s energy industry.

3. **Transformation:** PetroSA pursues change within the organisation, the oil industry and within broader society.

4. **Safety, Health, Environmental and Quality (SHEQ):** By applying world-class SHEQ standards, PetroSA seeks to operate in an sustainable environment and responsible manner with society in order to be committed and complied with such standards (PetroSA 2014, p.12).

### Was the evidence of impact by the reporting methods?

E.g evaluation, communication, alignment with international standard and national priorities.

Repsol developed a materiality assessment in 2012. The aim of this assessment was to identify and define the material matter in respect to its stakeholders and its business. Repsol assessment highlighted environmental such as amazon rainforest and social aspects such as indigenous communities. This procedure supports Repsol to understand the importance of the issues within its stakeholders’ environment and how these issues impact on the company priorities (Repsol 2014).

Disclosure methodology express the quantity of disclosure, rather than quality (Marston and Shrives 1991) and in this term are dimensional by proving only the ability and readiness of companies to disclose on various aspects of financial and non-financial information at or above a minimum threshold indicated in the <IR> framework. The aim of my research is to understand the nature and form of disclosure, which is more complex that can be evaluated against a single disclosure method alone (Beattie, McInnes and Fearnley 2004). Therefore, a cross-comparison between disclosure methods and thematic content analysis is necessary to comprehend the modifications in the global narrative of the business offered to stakeholders (Beattie, McInnes and Fearnley 2004). My research will analyse different aspects of the descriptions informed in the reports, taking especial consideration to their discussion of (i) the nature of their sustainability and association with the holistic company’s business; the emphasis, in sustainability language, space allocation, prominence of placement, on information related to sustainability; (iii) the integration of non-financial information with financial information commonly regarded ‘important’ such as financial success in short and
medium term, risk and business strategy; and (iv) the expression of non-financial information in qualitative and quantitative terms. To make a strong analysis, *GRI 3.1 guidelines* will add value to this comparison to identify and compare disclosure of non-financial information against <IR> framework and determine the evolution of reporting approaches toward more integrated methods.

6. **Analysis and Results**

In this section, I will analyse the qualitative disclosures of the companies’ reports. This analysis will provide crucial material to understand the evolution and level of disclosure of the reporting methods. *Table 4* depicts comparison of <IR> guiding principles to oil and gas companies’ reports.

*Table 4*

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic focus and future orientation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2. Connectivity of information</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3. Stakeholder relationship</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4. Materiality</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5. Conciseness</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>6. Reliability and Completeness</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
<tr>
<td>7. Consistency and comparability</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>-</td>
</tr>
</tbody>
</table>
6.1. PetroSA (<IR> approach)

As displayed in Table 4, PetroSA Integrated Annual Reports were examined with these principles. In the analysis is noted that PetroSA has been evolving its report to make information more concise and succinct. For instance, PetroSA 2012 and 2013 integrated annual reports compiled 150 pages (PetroSA 2012, 2013). While 2014 report has a significant transformation, reducing its report to 98 pages (PetroSA 2014). This evolution indicates succinct and relevant information produced by a more experienced company in developing Integrated Annual Reports.

6.1.1. Strategic focus and future orientation

Business Strategy is the core of the three PetroSA’ Integrated Annual Reports. In fact, PetroSA states as part of its business strategy to operate “as an integrated commercial entity and create value for its shareholders and all its stakeholders” (PetroSA 2014, p.6). This is achieved by the company through approximately 340 million Rants (R) investment on several community projects in the last 10 years (PetroSA 2014, p.6). This social contribution conjointly with South African Development Plan (NDP), economic growth, job creation and implementation of new technology has strived to maintain its business strategy and reputation worldwide (PetroSA 2013, p. 26). However, little is evidenced in the report in regards to use and effect of the six capitals stated by this principle. Therefore, the more articulation amid the six capitals, the more value creation attained by the company.

6.1.2. Connectivity of information

PetroSA has also reformed its business model by harnessing the challenging principle of connectivity of information. For instance, in 2012 report, PetroSA started with a business comprehension through company’s background, core business activities, key commodities
and strategic priorities (PetroSA 2012, p.2-3). Though, these strategic priorities were enhanced in presentation and communication by connecting to company’s vision 2020 in 2014 report, see figure 2 (PetroSA 2014, p.13).

This figure clearly demonstrates how the company try to connect its business cornerstones to the future performance. Nonetheless, the report fails with the principle by not displaying an analysis of resource allocation of their six capitals. This occurs, in particular, to capitals interdependencies and trade-offs and how changes in their availability, quality and affordability affect PetroSA’s ability to create value (IIRC 2013, p.17). This principle will be evolving over time to enable PetroSA be more integrated regarding its reporting approach.
6.1.3. Stakeholder relationship

Stakeholder relationships principle requires the nature and quality of PetroSA’s relationships with its strategic stakeholders, including how and to what level PetroSA understands, takes into account and responds to their legitimate needs and interests (IIRC 2013, p17). PetroSA has strong engagements with CEF SOC Ltd, Department of Energy (DoE), Department of Mineral resources (DMR), KwaNonqadaba (KwaDF) and others in 2014 report (PetroSA 2014, p. 16-19). For instance, DMR engagement boosts legal information in the petroleum industry, while KwaDF incorporates communities into business and employment opportunities to contribute to community’s economy. These facts are exposed thoroughly in 2014 and 2012 Integrated Annual Reports but 2013 report provides a merely stakeholders review (PetroSA 2012, 2013, p.24, 2014). PetroSA accomplish this principle and demonstrates its evolution in the long-term.

6.1.4. Materiality

Materiality principle is the tipping point for disclosing information about important matters related to PetroSA ability to create value over time. In fact, PetroSA materiality is determined, analysed and approved by the Board of Directors previous validation of external auditors and internal audit committee. This materiality reveals key risks, ethical issues, major developments and issues relating to compliance incidents in “Risk Management and Compliance Section in 2012 and 2013 Annual reports”, whilst “Annual Report 2014” states its materiality in a succinct manner in “About this Report Section” and more extended in the “Governance Section” (PetroSA 2014, p.2, 62-80). Materiality does not change in essence throughout the reports but it is relocated to showing evolution and relevance of this information for stakeholders.
6.1.5. Conciseness

This principle seeks sufficient information of companies to understand business strategy, governance, materiality, performance and projections (IIRC 2013, p.21). In this context, PetroSA not purely complies with these parameters such as business strategy, governance, and materiality but also incorporates its performance indicators connected to its business strategy (business sustainability, growth, transformation and SHEQ standards) (PetroSA 2014, p.38-54). In addition, projections are proved by “our key projects” to sustain company’s operation in the three Integrated Annual Reports (PetroSA 2012, 2013 and 2014). Evolution is reflected in PetroSA year-to-year report by cutting the clutter in accordance to the conciseness principle. This enables investors to have quality of information for better decision making.

6.1.6. Reliability and completeness

All material matters, both positive and negative, in balanced way and freedom from material error are the concepts of this principle (IIRC 2013, p.21). PetroSA’s governance is consistent in the three reports where leadership of Corporate Governance, Chairman, Group Chief Executive Officer (GCEO) and Chief Financial Officer (CFO) Statements illustrate company’s situation and performance during the year of reporting. In fact, this is reflected in “Governance, Compliance and Risk Management Section” (PetroSA 2014, 2013 and 2012). Also, this section includes assurance of its information through its “Board Audit and Risk Committee (BARC)” and external assurance from various independent and statutory bodies to avoid bias in selection and presentation of information (PetroSA 2014, p.77). As a result, these dependencies in the reports evolve constantly to ensure reliability and completeness to increase credibility and trust in the reports.
6.1.7. Consistency and comparability

Consistency over time and comparability with other organisations to extent it is material to organisation’s own ability to create value are entitled in this principle (IIRC 2013, p. 23). PetroSA’s 2014 report is more robust and possesses more consistency and comparability in its information. For instance, PetroSA underwent through an evaluation of company’ values. This is stated by GCEO that sets “we undertook a comprehensive values realignment journey, the result of which is a new set of values, namely Stewardship, Honesty, Integrity, Responsibility and Transparency” (PetroSA 2014, p.31). By modifying these values, PetroSA aims to print them in employees and stakeholders mindset and also improve integration of its business strategy to company’s performance. In this context, PetroSA maintains consistency and comparability, but some areas of the report have different structure regarding performance indicators to hinder a subtle comparison amid the three periods. Though, this demonstrates that the company is evolving to achieve this guiding principle in a full content in order to deliver the best information to stakeholders and investors.

The analysis of these <IR> guiding principles discloses a clear picture of the evolution of PetroSA reports. This transformation will continue reinforcing PetroSA’s financial and non-financial information. However, connectivity of information and consistency and completeness are the challenges for companies which are gradually improving their implementation in reporting approaches in order to create value in the short, medium and long term.
6.2. Repsol Ecuador S.A. (Corporate Social Responsibility Report)

Repsol Ecuador S.A. implemented *GRI 3.1 guidelines* in its reports. A cross-comparison of Corporate Responsibility (CR) reports 2012, 2013 and 2014 and <IR> framework provide an evaluation of other integrated approaches in this research, described in *Table 4*. This table shows that other reporting approaches might follow similar structure to disclose information. This comparison will provide valuable practices to identify to what extent and how reporting approach are evolving toward more integrated methods.

My research has traced back Repsol non-financial information reports, since its first implementation in 2004. This report displays 16 pages of information focused on education, socio-economic development and health (Repsol 2004, p.1). This information was generated by Repsol Foundation, a NGO charged of developing social contribution in Ecuador poor areas. In 2006, the company implemented GRI guidelines and in 2008 published its first sustainability report (82 pages) (Repsol 2006, 2008). While, in 2009, this report boosted level of disclosure to 113 pages (Repsol 2009). This evolution of information supplied the basis of non-financial information for the oil and gas company. In 2012, 2013 and 2014 the reports were named as Corporate Responsibility (CR) reports and they disclose information between 140 and 155 pages of information (Repsol 2012, 2013, 2014). These transition and transformation of information prove how reporting approaches have evolved over time, attributing features to build this reporting analysis.

**6.2.1. Strategic focus and future orientation**

In this principle the aim is to identify whether the company tends to provide insight into its business strategy, inclusion of six capitals and value creation. Repsol developed its 2012-2016 business strategy which contains four pillars described as upstream growth, downstream
cash flow maximization, financial solvency and shareholder financial return (Repsol 2012, p. 20). In fact, to execute these pillars, Repsol sought meticulously new oil and gas operation agreements with the Ecuadorean government prior a soon culmination of 2018 contract (Repsol 2012, p. 7). This was crucial to maintain long-term business operation. By 2014, Repsol signed new agreements with the government and achieved the first development of 2 wells and a new infrastructure in Wati Oil and Gas Block (Repsol 2014, p.5). These facts help Repsol to pursue business strategy, evolution of information and its ability to create value over time. Though, flaws are acknowledged in the three CR reports such as lack of inclusion of six capitals and their uses and effects as well as long future business strategy. This principle highly underlines the six capitals to enable companies to achieve strategic objectives in the future and value creation.

6.2.2. Connectivity of information

Connectivity of information requires a holistic picture of the combination of factors that affect the organisation's ability to create value, becoming a difficulty for companies. Repsol CR reports demonstrate some features of this principle. In fact, Repsol clearly sets out business strategy, risks and opportunities, future projects, economic, environmental and social Key Performance Indicators (KPIs) (Repsol 2012, 2013, 2014). However, these characteristics are not totally related to or associated with business strategy, undermining this guiding principle in the reports. Also, six capitals and financial information is hardly noticed in the reports. These constraints are emphasised by the solitary classification of sustainability components such as environment and community which are not interrelated in between. In order to develop this principle, companies need an evolving process to understand how the capitals are interrelated and interdependent among them toward value creation in the short, medium and long term.
6.2.3. Stakeholders relationships

This principle emphasises engagement with internal and external stakeholders. Repsol builds relationships with their stakeholders to acknowledge their legitimate needs and interests. These stakeholders are divided into employees; shareholders, suppliers and contractors; and indigenous communities. For instance, relationships with employees are recognised in the reports which set “Nuestros trabajadores constituyen uno de los pilares básicos de nuestra empresa” (Our employees are a fundamental pillar for the development of our corporation) (Repsol 2012, p.70; 2013, p. 80; 2014, p.83). Quality, safety and environmental standards are evaluated in contractors and suppliers’ profiles prior any commercial agreement (Repsol 2012, p.102). While, indigenous communities have power to influence company’s operation which require broader analysis and disclosure associated with risks, opportunities, contributions and projects to reduce impact and enhance living conditions for them (Repsol 2013, p.88-101). These relationships permit evaluation and collaboration to business strategy, performance and value creation. In this context, Repsol complies with stakeholders’ relationships principle by the appliance of its reporting approach in order to seek a long term sustainability business for investors.

6.2.4. Materiality

Materiality is a core activity to measure positive and negative impacts on the organisation ability to create value. This is calculated by following the principles of responsiveness, inclusivity and materiality according to AA1000 2008 APS and GRI 3.1 Guidelines. Repsol considers material matters regarding its operation, environment and society. In fact, in 2013 report, endangered species measurement needed to be included within the report due to impact on Amazon Rainforest biodiversity (Repsol 2013, p.8). In 2014, however, this material matter is disclosed regarding the importance in such an area (Repsol 2014, p.8, 72-
This process can easily establish the evolution of reporting, making companies more accountable and responsible to the natural environment. Also risks and opportunities cooperate to materiality analysis providing a robust process. Materiality sets out an extend analysis and evaluation within the reports but without incorporating financial information (Repsol 2013, p.6-12). <IR> framework advocates materiality inclusion not only in environmental and social factors but also makes a strong emphasis to matters that substantively affect the organisation’s ability to create value over time (IIRC 2013, p.18).

6.2.5. Conciseness

Conciseness is complex and challenging to achieve, regarding the amount of information to be disclosed by reporting approaches. Repsol clearly states materiality determination and logical structure of its strategy, board of directors, governance, risk management, stakeholders, environment and society KPIs. In this case, an outstanding feature of the reports is the link to other information such as annual financial reports and information from its website (Repsol 2012, p.51). Nevertheless, these components do not determine entirely conciseness of information, in particular the long narratives in the three reports which might include unnecessary information. In order to foster more concise information and avoid repetition in reports, evolution of information, reduction of clutter and expression of concepts in a few words as possible are needed to provide more succinct and quality of information for stakeholders’ decision making.

6.2.6. Reliability and completeness

Reliability of information is embedded by free material error and is boosted by internal control and reporting systems, stakeholder engagement, internal audit and external assurance (IIRC 2013, p.21). This is also supplemented by leadership and decision making through
Repsol governance function. In these terms, Repsol ensures reliability through external assurance of Deloitte & Touche (Repsol 2014, 2013, 2012). This firm validates processes and reduces likelihood of bias of non-financial information. Completeness, on the other hand, enables the company to report positive and negative material information and level of disclosure. In fact, Repsol has the capacity to compare information with oil and gas companies (i.e. Petroamazonas EP) which have adopted GRI 3.1 guidelines in order to identified material matters. A comparison of information among other oil companies will be ideal to include for reinforcing this principle (Repsol 2012, 2013 and 2014). Though, the company complies with this principle to provide transparency and credibility of information for its stakeholders.

6.2.7. Consistency and comparability

Consistency and comparability principle states that information needs to be consistent over time and in a way that enables comparison with organisations from the same industry (IIRC 2013, p.23). Repsol delivers consistency and comparability of its information following reporting policies from one period to the next. For instance, this can be exemplified by KPIs such as energy efficiency, greenhouse gas emissions, water and waste management and others (Repsol 2012, p.62-63). These indicators set out three year-comparison proving consistency and comparability in the reports. Repsol reporting approach entails consistency and comparability enabling the company to evolve toward more integrated reporting methods.

The analysis of Repsol reporting approach provides fundamental parameters for non-financial information. Financial information, nevertheless, is not incorporated within it which denotes a remarkable difference from <IR>. This provides valuable information for further research.
of the evolution and level of disclosure of information delivered by reporting approaches towards more integrated methods.

6.3. Petroamazonas EP

Petroamazonas EP seeks to reproduce information related to its business strategy, core activities, environmental and social responsibility in 2012 and 2013. In 2012, the company creates its first report named as “Management Report”, which generated 30 pages of information including mission, vision, values, business activities, social and environmental aspects, health and safety and future projects (Petroamazonas EP 2012). In 2013, this information had an improvement and promoted the development of a sustainability report by 104 pages (Petroamazonas EP 2013). This improvement was prepared by implementation of GRI 3.1 guidelines. Yet, the company has not published 2014 sustainability report, thus is not taken into account in my analysis. These reports provide non-financial information to the stakeholders to inform correlation between business strategy and corporate performance toward more integrated information. In this analysis, I will be focus on stating improvements to Petroamazonas EP reports in order to polish and enrich the quality of reporting. This process will be upheld by a complete analysis released in PetroSA and Repsol Ecuador S.A. Also, this strives to answer the research question to what extent and how reporting approaches are evolving toward more integrated methods.

6.3.1. Strategic focus and future orientation

Strategic focus and future orientation is the underpinning of company’s operations. In 2013, Petroamazonas states a more robust 2014-2017 business strategy. In fact, the strategy focuses on increasing oil and gas reserves and production, value creation through efficient resource allocation, upstream and downstream business expansion, SHEQ standards for stakeholders,
technological support, risks and opportunities and reinforcement of human capital (Petroamazonas 2013, p. 28). This business strategy gives significant transformation beyond financial information, situating the company in a perfect pathway to create value over time. Nevertheless, inclusion of six capitals and their uses and effects and the relationship with corporate performance differ from <IR> framework. The inclusion of this context is important to enable the company to develop a better value creation over time.

6.3.2. Connectivity of information

Connectivity of information bases on integrated thinking, a challenge for the companies in this study. Petroamazonas EP includes some elements of this principle. In these terms, a respectable business strategy, governance, risk and opportunities and stakeholder relationships are portrayed in 2013 sustainability report (Petroamazonas EP 2013). Yet, these elements hardly deliver connection to corporate performance and financial information. In order to reinforce this principle, capitals need to be well-defined to develop systemic interaction into business activities and the use and effect of the capitals. For instance, resource allocation and resources combination would help the company to analyse further investment into capitals to accomplish planned performance (IIRC 2013). This is also linked to business model, financial information and present and future expectations which will enable the company to evolve in the short, medium and long term.

6.3.3. Stakeholder relationships

Stakeholder relationships are crucial for an organisation to create value. Petroamazonas has identified its main stakeholders to maintain relationships for the company value creation. For instance, Petroamazonas possesses 7 groups of stakeholders such as government, shareholders, employees, contractors and suppliers, customers, business partners,
communities and other government authorities (Petroamazonas EP 2013, p. 29-31). These stakeholders have declared matters and legitimate needs and interest to be taken into account by the organisation. As a result, Petroamazonas accomplishes this principle demonstrating the evolution of 2012 and 2013 reports and how its reporting approach has impacted on the organisation to report non-financial information.

6.3.4. Materiality

Materiality is the foundation of important matters that substantively affect organisation’s ability to create value over time. Petroamazonas has determined its materiality focusing on matters that have impact on the organisation, shareholders and all stakeholders. Indeed, Petroamazonas interviewed main shareholders and stakeholders and collect social and environmental information to construct its materiality matrix according to GRI 3.1 guidelines (Petroamazonas 2013, p. 10-11). This materiality goes hand-in-hand with economic, environmental and social aspects alongside the report. Petroamazonas has evaluated appropriately its significant matters. This contributes to the organisation, considering different estimations of information to determine its materiality. Therefore, this assessment presents evolution of Petroamazonas information in respect to this <IR> principle.

6.3.5. Conciseness

Conciseness is a challenge for Petroamazonas EP due to its evolving process. Notwithstanding, the report presents sufficient context in regards to non-financial information. For example, strong business strategy, governance, risk and opportunities, materiality, stakeholder relationships and performance are incorporated in the report (Petroamazonas 2013). Tough, to entail conciseness, the company still needs to link information or provide cross referencing to existing information such as list of stakeholders.
created by the company in order to avoid repetition and cut the clutter. This connection could be practical to the report. In doing so, Petroamazonas will evolve its reporting approach and provide quality of non-financial information for external purposes.

6.3.6. Reliability and completeness

To bring reliability and completeness to the reports, internal auditing and external assurance are required within Petroamazonas EP. The company has internal audit committee and external assurance but only for financial information. In fact, a governmental organisation offers financial auditing services to grant reliability to its financial information (CGE 2015). This service could be extended to non-financial information in order to print credibility and transparency in the report. This external assurance helps to avoid bias of favourable and unfavourable information and free material error. On the other hand, completeness requires positive and negative matters and how these are determined by companies that can be important depending upon the industry (IIRC 2013). This component of the principle is hardly evidenced in the company due to its evolution. By including completeness, this reporting approach will contribute to Petroamazonas in developing credibility and trust in its non-financial information.

6.3.7. Consistency and comparability

Consistency and comparability give importance to the report. Petroamazonas EP has produces 2012 and 2013 reports but consistency and comparability is not identified within the report. Consistency and comparability play a crucial role in order to compare consistent information such as KPI, financial information and the outline of the report (IIRC 2013). This principle will come along with the evolution of the report in accordance to its reporting
method which will enable the company to compare information in a consistent and comparative way to other companies.

By applying these <IR> guiding principles, I identified how companies integrate financial information to non-financial information, endeavour connectivity of information, amount of disclosure, and the evolution of reporting approaches. This analysis will be concluded by answering the research question through discussion and next steps of reporting methods.

7. Discussion

PetroSA’s <IR> has been evolving its information since its 3 years of <IR> application. This evolution aims to integrate information in concise and comprehensive manner in order to provide quality of information to all stakeholders. For instance, the three reports deploy good structure and presentation of information such as business strategy, governance, risk and opportunities, environmental and social aspects but little is informed about intellectual capital, relationship amid other capitals and connectivity of information. Arguing that Sasol Limited, an oil company, was awarded as the best <IR> in 2015. The report sets “making sound capital allocation decisions to grow and sustain our business requires a critical assessment of the availability, affordability and quality of the six capital inputs to our processes, operations and projects” (Sasol 2015, p. 27). This interaction of six capitals is required by <IR> framework and their connection to the business strategy. This report also endeavours to apply integrated thinking in the organisation by applying risk management and value creation scorecard to grow shareholder value sustainably (Sasol 2015, p.26-33). Sasol’s report makes a crucial contribution to the business industry in the development of more integrated approaches which will enable companies to refine information for its stakeholder and a clear picture of value creation.
Repsol, by contrast, has developed non-financial information applying *GRI 3.1 Guidelines*. This non-financial information provides future projects, risk management, stakeholder engagement and environmental and social factors. Nonetheless, this non-financial information requires connection with financial data in order to attach business strategy to company’s performance. <IR> implementation will help to communicate its business story, reduce the clutter, enhanced decision making and concise information for its stakeholders. This will demonstrate better integrated thinking and comprehension of connectivity of information which is a difficulty for businesses in order to create of value over time.

*GRI 3.1 guidelines* are Petroamazonas EP non-financial information framework. The company has deployed significant information in its 2013 report. This information could be used as input of implementation of <IR> framework. Undoubtedly, Petroamazonas EP is a new company and is undergoing through a non-financial evolution. Nonetheless, an early implementation of <IR> may contribute to develop a new mindset and behaviour change for the board of directors and stakeholders. This is particularly emphasised in Petroamazonas EP business strategy, corporate performance, risk management and long term capital allocation. The integration of these components will help the company to communicate a better business story and value creation in this <IR> journey.

8. **Conclusion and next steps**

Since the last century new eras of reporting have been emerging within business sector to obtain good quality of information for making better decisions. Environmental, social, economic and financial influences have driven reporting to constant evolution to determine the best methods of reporting information. This also falls into a deep dialogue among policy makers, researches, experts and others to contribute to more integrated reporting approaches.
<IR> framework provides the tools and underpinnings to reduce clutter in the reports. This framework advocates more concise and succinct non-financial information which hinder a clear connection between business strategy and dimensions of corporate performance. Many organisations are evolving over time through detailed analysis of information in order to comprehend different factors which influence the whole business process.

My analysis of the three companies clearly answers the research question by identifying the differences between <IR> framework and other reporting approaches and how these reports have evolved during the three periods of revision. This comparison also demonstrates how <IR> visibly deploys key elements of information that companies need to show to understand the business model.

Yet, the future of <IR> is a mystery. <IR> is a framework that helps companies to reduce clutter; however, drawbacks are still embedded with it. In fact, <IR> mandatory process is a debate due to uncertainty whether corporations fully and consistently disclose relevant qualitative matters, essentially the risk of potential litigations. Another weakness is complains mindset associated with director’s liability, specifically competitive advantages through disclosure of strategies, risks and opportunities of the business. To complement these, connectivity of information is still a hurdle for companies to entail business strategy to corporate performance and the involvement of integrated thinking between the company and stakeholders. These drawbacks may create reluctance in some companies for establishment of this approach. Notwithstanding, these drawbacks are great material for further research to increase more credibility and trust of <IR> approach.
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