Chapter 6
From Sustainability to Integrated Reporting: How the IIRC Framework Affected Disclosures by a Financial Institution in Australia

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6.1 Introduction

This chapter presents a case study on the sustainability reporting and <IR> practices of CBD, a financial institution, and its journey of disclosure. The material presented explores CBD's need to establish trust and legitimacy after a scandal forced them to embark on an economic, social and governance (ESG) reporting program and traces their subsequent <IR> journey. In this setting, <IR> has its origins in corporate social responsibility and sustainability reporting initiatives (Dumay et al. 2016).

Previous researchers have considered the evolution of the ESG reporting process at CBD but have not specifically focused on the years during which CBD participated in the Pilot Program or after it adopted the IIRC's Guidelines (IIRC 2011), the <IR> Prototype (IIRC 2012), and the <IR> Framework (IIRC 2013), or their most recent reporting years up to 2016. Existing literature examines <IR> in its early stages and the limitations and shortcomings of the IIRC's framework and practices (de Villiers et al. 2014). Therefore, studying companies in the process of implementing <IR> is valuable for identifying improvements to both the framework and how it is practised.

Identifying improvements to both the <IR> Framework and ESG reporting practice is the motivation for this research. In doing so, this study picks up from where prior research by Beck et al. (2017) left off through an analysis of CBD's integrated

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Table 6.1 List of CBD source documents and reference codes

Document name	Reference code
2004 Corporate Social Responsibility Report	CBD01
2011 Annual Review	CBD02
2005 Corporate Social Responsibility Report	CBD03
2009 Corporate Responsibility Review	CBD04
2010 Annual Review	CBD05
2012 Annual Review	CBD06
2013 Annual Review	CBD07
2014 Annual Review	CBD08
2014 Dig Deeper	CBD09
2015 Annual Review	CBD10
2016 Annual Review	CBD11

reports from 2010 to 2016. We analyse how CBD aligned its reporting to the IIRC's principles during this period, considering the fact that CBD started its transition to <IR> before in 2010.

Beck et al. (2017) explore the reasons why CBD began their journey toward <IR> and examine how their reports developed over the years. Their findings indicate that CBD's reporting practices mainly focused on investors and other stakeholders to repair lost legitimacy after a scandal in 2004. It was not until 2010 that CBD seems to have regained trust and re-established legitimacy with its shareholders and stakeholders. However, despite deploying the <IR> framework, CBD, once again, became embroiled in further major scandals. It appears that implementing reporting practices only affected the public face of CBD; the organisational culture that allowed these scandals to happen did not change in line with the changes to reporting. Moreover, scandals are endemic to Australia's financial industry, which further adds to the validity of our findings.

The data used to develop this chapter was sourced through a review of publicly available documents published by the IIRC and CBD and builds on research by Dumay et al. (2015) and Beck et al. (2017). CBD is a pseudonym used to preserve anonymity in the previous studies and is continued here. Hence, traditional in-text citations are used to refer to the source documents produced by the IIRC, while the following table lists the source documents produced by CBD (Table 6.1).

6.2 The Journey Towards <IR>

<IR> is the result of a process of evolution of different ESG reporting practices that have been adopted to evaluate the activities of a company with the aim of creating an integrated report that groups together information about management, sustainability, governance, and finance (IIRC 2011, p. 7). The main objective of the <IR> is to

consider financial sustainability and stability for the benefit of a broad group of stakeholders to disclose how an organisation creates value:

> An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers. (IIRC 2013, p. 4).

CBD joined the IIRC's Pilot Program when it began in 2011. This meant CBD participated in the process of improving <IR> until the release of The International <IR> Framework in December 2013 (IIRC 2013). The development of the <IR> Framework (IIRC 2013) was preceded by a discussion paper (IIRC 2011), an argument for the creating the Framework (IIRC 2012), and the <IR> Prototype (IIRC 2012), which were initially used by CBD to develop their first few integrated reports.

The final <IR> Framework (IIRC 2013) has increased the amount of research on <IR>, generating a number of studies on various aspects of creating integrated reports and its effects on the companies that adopt an <IR> approach (Dumay et al. 2016). One critique of the Framework is that the IIRC is mainly interested in increasing the quality of the information provided to shareholders about a company's value, not its sustainability. <IR> is therefore seen as focusing mainly on creating financial value for shareholders, while neglecting social or environmental issues (Flower 2015). de Villiers et al. (2014) highlight that <IR> is only at the beginning of its journey; and that it is highly interconnected with management and, consequently, the contents of the report may be biased. Higgins et al. (2014) looked at the holistic approach taken by the first companies to adopt <IR>, which did not revolutionise the way companies disclosed information but did advance research into sustainability reporting by integrating financial and non-financial information. On the other hand, Flower (2015) harshly criticises <IR> for its focus on shareholders and its lack of attention to sustainability from a socio-environmental point of view. Flower argues that, this is what will potentially cause <IR> to fail and that, for these reasons, it is necessary to change <IR> and find alternative ways to think about sustainability.

When companies use the Framework, they need to think about the effect it has on their activities. Because a company's reports can affect the external environment, which can, in turn, potentially increase or decrease a company's value, the effects these reports provoke deserve consideration. However, when using an investor's perspective as advocated by the <IR> Framework, companies might overlook the fundamental impacts they have on other groups and focus too much on short-term economic indicators rather than indicators significant to the long term. Therefore, there is evidence to support the argument that the current <IR> Framework does not place enough emphasis on social and environmental issues, and that failing to include human and natural capitals as inputs and outputs in a business model (IIRC 2013) might be detrimental to value creation over the long term. Instead, Adams (2015) counters Flower's argument and issues a call for action in support of <IR> because of the potential benefits she believes <IR> will bring to companies.

<IR> may have internal benefits brought about by the concept of integrated thinking. The IIRC highlights that one of its objectives is to "support integrated

thinking, decision-making and actions that focus on the creation of value over the short, medium and long term" (IIRC 2013, p. 2). The IIRC (2013, p. 33) defines integrated thinking as:

> The active consideration by an organization of the relationships between its various operating and functional units, and the capital that the organization uses or affects. Integrated thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term.

As a concept, integrated thinking is widely accepted by managers and report preparers, but the issue is then translating this concept into practice. The main problem is that integrated thinking causes more confusion than clarity because the "IIRC has not fully defined and articulated the concept of integrated thinking, and there is no shared consensus among practitioners" as to what it means (Feng et al. 2017, p. 330). Similarly, Dumay and Dai (2017) identify that for integrated thinking to work as anticipated by the IIRC some of the existing organisational culture must be replaced. However, strong organisational cultures are not readily or easily replaced, especially when they are associated with an organisation's past success. Therefore, while the IIRC's rhetoric towards integrated thinking is appealing, research on integrated thinking finds it not quite so easy to implement.

<IR> should support a change in the way companies look at their business and make them think about the impact of their company's activities. However, this requires an understanding of the underlying theoretical arguments behind the IIRC's claims. In this context, it is useful consider <IR's> potential as a tool for justifying and legitimising a company's actions from a moral and institutional perspective, rather than a tool promoting integrated thinking and value creation. Arguably, the IIRC wants companies to communicate to external stakeholders to justify management's actions, not just to explain value-creation, and this may be one of the rationales for a particular organisation to adopt <IR>. Suchman's (1995) take on institutional legitimacy helps explain why companies interact with stakeholders in environments where institutions construct and interpret the environment they are part of. This view is opposed to strategic legitimisation, whereby managers have the ability to modify reporting according to their own needs, the company's needs, or to justify tangible outputs (Suchman 1995, p. 576). However, one problem when analysing reporting concepts, such as <IR>, from a legitimacy perspective, is that most researchers concentrate on either institutional or strategic legitimacy and rarely combine the two.

CBD is an Australian financial institution operating worldwide. It is a leader in ESG reporting practices within Australia, having won several national corporate reporting awards and a silver medal from the Dow Jones Sustainability Index (CBD02 2011, p. 12). However, all was not always well at CBD. In January 2004, CBD suffered losses of AUD$360 million following a currency trading scandal, which eventually saw several employees jailed because of their involvement. A subsequent report by PWC recommended four changes to be addressed: the Board of Directors, senior management, risk and control frameworks, and corporate culture (Beck et al. 2017, p. 196).

In most organisations <IR> is the result of a journey, and it is not possible to predict its final output (Stubbs and Higgins 2014; Dumay and Dai 2017). Therefore, CBD did not adopt <IR> because it was a new and interesting accounting

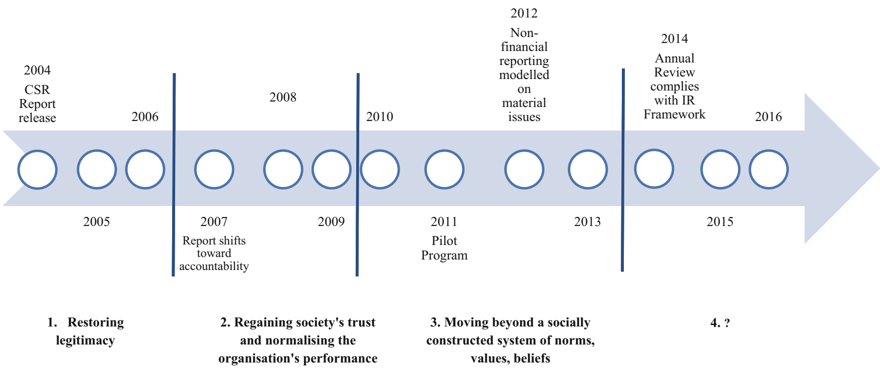

Fig. 6.1 Timeline of reporting and related motivation (2013). Source: Dumay et al. (2015); Beck et al. (2017)

technology that was intended to radically change its reports. As such, when analysing how a company comes to use <IR>, it is important to understand the journey of how it arrived at using <IR>. This journey begins in 2004, with CBD's first Corporate Responsibility Report after admitting fault in the currency trading scandal. Dowling and Pfeffer (1975) four-stage framework for restoring legitimacy has been used to understand the evolution of the reports produced by CBD and how the <IR> Framework affected their disclosure process (see Fig. 6.1).

Figure 6.1 represents the timeline of the journey undertaken by CBD. It has three phases: restoring legitimacy, regaining society's trust and normalising organisational performance, and moving beyond a socially constructed system of norms, values, and beliefs. The fourth stage, missing in the timeline, concerns the last years of reporting following the introduction of the Framework, which is addressed later in this chapter.

6.3 CBD and Its <IR> Practices

One study that combines institutional and strategic legitimacy is that by Dumay et al. (2015) who investigated how companies develop <IR> and what they include in their reports—one of which was CBD. Here, Dumay et al. (2015, p. 2) add to legitimacy theory, introducing the term "material legitimacy". They define it as "the form of legitimacy that enables organisations to blend what is important to the organisation (strategic legitimacy) with the primary concerns of its major stakeholders (institutional legitimacy)". In integrated reports, this is often called the materiality matrix: a matrix that reconciles the concerns of stakeholders with the concerns of the company. However, sometimes not all material issues are disclosed. As Dumay et al. (2015, p. 7) point out, "an issue can be highly important to stakeholders and the company, but that item might not be publicly disclosed due to the confidentiality of the parties involved or commercial sensitivity". Therefore, regardless of the promises to build transparency through reporting, inevitably any report, including an integrated report, will only tell part of the story.

To analyse CBD's reports, observations were made about: how the Framework was used; the type of information that was disclosed; and how the concept of materiality affected the disclosure process. Keeping legitimacy theory and previous research in mind, stating that CBD has strived to achieve institutional and strategic legitimacy through their corporate reports and Annual Reviews (Dumay et al. 2015; Beck et al. 2017). Thus, this analysis observes where the company stands in its reporting journey. Four phases were identified. The first two phases are briefly described as background; phases III and IV are discussed in-depth given that <IR> was developed during these phases.

6.4 Phases I and II

The need to change the culture of an organisation deeply embroiled in a scandal that was blamed on its culture moved CBD to try to repair trust and legitimacy by exposing what went wrong. In phase one, CBD needed to restore legitimacy amid scandal and was eager to find a way to re-establish itself as one of the best and most reliable financial institutions in Australia. Thus, in 2004, CBD commenced production of its first CSR Report, which focused on the company's mistakes (insider trading and miscommunication), and its lack of control. Admitting fault, CBD began its reporting journey to restore its legitimacy. Dumay et al. (2015, p. 22) liken the first 2 years of this path (2004–2006) to a phase of legitimacy restoration (Fig. 6.1). Producing a CSR report allowed the firm to begin the legitimacy restoration process of discovery, explanation, penance, and rehabilitation outlined by Suchman (1995).

Analysing the 2004 CSR report (CBD001), the company fully recognised its mistakes and reacted to them. They realised the need to regain trust among customers, employees, and shareholders:

> We introduced our new Corporate Principles to ensure we create and deliver consistently superior value to our customers, shareholders, employees and the communities in which we operate. (CBD01 2004, p. 3).

Numbering 40 pages, the first report is far from concise. It was structured according to the various GRI guidelines and contained a long discussion on sustainability and the practices adopted by the company. Over 50 non-financial metrics set out in the GRI were presented to a broad group of stakeholders to disseminate non-financial information about the firm's activities. CBD was working to acquire institutional legitimacy and re-establish its reputation:

> Culture change is now a high priority. In 2004, we developed a new set of Corporate Principles and behaviors as a first step in changing our culture. We are in the process of embedding these Principles into the way we do business every day (CBD03 2005, p. 3).

CBD had begun to highlight the need to change its culture to repair trust and its legitimacy.

CBD also identified their core operating principles, with a focus on how to incorporate them into everyday performance. Their choice of words confirms that CBD was building a path towards corporate responsibility to re-establish trust as well as its position in the market and society:

> Several years ago we began a journey to embed CSR into the way we do business. CSR is a key element of our strategy of growing long-term shareholder value. We are still in the early stages of this journey. We recognise this is a journey we cannot make on our own, and it will involve engagement and collaboration with our customers and other key stakeholders along the way. (CBD03 2005, p. 6)

Throughout this first phase (2004–2006), the company restored its legitimacy in order to operate in society by setting new objectives and striving to be more in line with their stakeholders' expectations.

The second phase of CBD's journey toward legitimacy started in 2007 (see Fig. 6.1). This phase involved restoring society's trust and normalising organisational performance (2007–2009) (Dumay et al. 2015). They focused on how they achieved the performance targets set during previous years, and their reports were more concise. The reports highlight the progress of activities undertaken in previous years and how or why their objectives were achieved or otherwise. GRI guidelines were still used, but the number of metrics was reduced to only those of greatest significance to CBD's activities. Even though CBD was able to regain public credibility and justify its activities, it still acted to strengthen its image as a sustainable company, as evidenced by the Chairman's message:

> It is also clear that the public perception of [financial institutions], including CBD, is not good enough. To build long-term sustainable businesses into the future, I believe our industry and CBD must act to improve its reputation. (CBD04 2009, p. 3)

The analysis in Phase II is limited, as CBD was focused on verifying whether the objectives and milestones set in previous years had been met. This 2-year period connects CSR's reporting Phase I (2004–2006) with the introduction of <IR> at the beginning of Phase III in 2010.

6.5 Phase III

CBD entered the third phase of its legitimacy process in 2010 grounded in a well-structured system of regulations, values, and beliefs (Fig. 6.1). This phase lasted until 2013 when CBD re-established its position in society and became capable of justifying its actions through a new holistic strategy aimed at bolstering shareholder returns through sustainable business performance (CBD05 2010, p. 2). In 2010, CBD's Annual Review was assured by Environmental Resources Management Pty Limited (ERM) for the first time, further increasing its validity. Approval from this well-recognised assurance company bolstered the reliability of the information contained in the report. As ERM reports,

> CBD employed a more comprehensive and formal materiality determination process than in previous years. Material CR performance issues were identified based on stakeholder engagement and business risks highlighted by the Executive. These issues formed the basis of the CR content of the 2010 Annual Review, which provides a balanced representation of material CR performance issues. (CBD05 2010, p. 41)

Notably, CBD referred to their 2010 Review as an integrated report in interviews, despite the report preceding the IIRC Framework. With this report, CBD had moved toward a single document capable of satisfying both stakeholder and investor needs. Considerable changes were observed. First, CBD introduced the concept of materiality when drafting the review. All the information disclosed was required to convey the financial value of activities (Dumay et al. 2015). Stakeholders lost the central role they had played in the CSR Report, although it is important to note stakeholders still found mention when their participation in CBD activities resulted in an increase in firm value.

CBD eventually achieved both strategic and institutional legitimacy because it complied with external requirements and regulations that were created by institutions and organisations (pragmatic legitimacy)—even those that were voluntary in nature. At the same time, it could justify and legitimise its actions as part of a strategy that considered both the internal and external environment (moral and cognitive legitimacy) (Suchman 1995). The greater the disclosure of information relevant to stakeholders, the more institutional legitimacy is achieved. By contrast, moral legitimacy is achieved by providing information relevant to the organisation. This leads to an important observation: only issues relevant to *both* stakeholders and the firm were reported in the Annual Review. That said, issues relevant to stakeholders might have been excluded from their reports because they were deemed to be of insufficient merit to financial value creation, or were deemed too sensitive for disclosure (Dumay et al. 2015).

From 2011 onwards, the reporting focus shifted toward future and long-term objectives, with the company aiming to implement a strategy capable of yielding short-term profitability without losing sight of long-term goals. In addition, the CEO and management attributed their business success to a broader number of stakeholders and the involvement of all actors in the company's activities:

> The long-term success of our business depends on us doing the right thing by many—our shareholders, our customers, our community and our people. This is CBD's second integrated report combining both our business and corporate responsibility outcomes for the year (CBD02 2011, p. 3)

Unlike its predecessors, the 2011 report saw the first integration of financial and non-financial information. Holistic approaches require a higher level of internal integration and communication along with a common strategy across all areas of a business. CBD claimed to have fully integrated CSR into its strategy and spread the concept of social responsibility throughout the entire organisation from the bottom up:

> We have internal mechanisms at every level of the organisation to shape and manage our approach to important CSR issues. (CBD02 2011, p. 7)

Integrating financial and non-financial information also required CBD to change the way it included CSR within its governance framework (CBD02 2011, p. 8). CBD had originally focused on CSR, and accordingly on stakeholders. The company had instituted a dedicated CSR governance framework (CBD01 2004, p. 6) that comprised a CSR Global Council reporting directly to the Group Executive Committee and the Board of Directors (CBD01 2004, p. 6) and operating business areas. Reviewing the way its governance structure was now presented, CBD did not make clear whether a complex CSR governance framework was still in place (CBD02 2011, p. 8). There was a much clearer description of how the company had integrated CR at each company level, but this does not imply that CBD had bestowed CR functions on different departments, or that sustainability was part of the company's culture. On the contrary, this could be symptomatic of better legitimisation of its activities. Moreover, segregation between the information regarding shareholders and the information relating to CSR persisted. Again, this could be interpreted as a lack of sustainability integration within the company culture or attributed to a misalignment between the objectives of the firm and its shareholders.

During the second year of the Pilot Program, compliance with the IIRC's guidelines and <IR> became more visible. The 2012 Annual Review was more investor-oriented and had a different structure than previous reviews and areas previously treated as marginal, such as risk management, were now a focus. There were extensive discussions on sustainability and several pages dedicated to CSR. Compared to the previous year, CBD also provided a more extensive discussion on how it had integrated CR into its corporate governance framework: CSR was now embedded into the Review, and the structure of the report shifted the primary focus to performance, strategy, and governance.

> As part of our approach to integrated reporting, we have incorporated our CR strategy and performance throughout this review. (CBD06 2012, p. 2).

A relevant section identifies the company's objectives and briefly describes how these objectives were expected to affect various participants in the company's success. CBD justified their objectives by aligning them with those of stakeholders, thus legitimising its activities:

> We have internal mechanisms at every level of the organisation to shape and manage our approach and ensure we are focused on the issues that matter to our stakeholders. (CBD06 2012, p. 29).

In line with the previous discussion on legitimacy, CBD was able to identify how to align itself with its investors' interests. Interestingly, CBD used the IIRC's guidelines to create the report but used GRI's metrics as its indicators, from which it can be deduced that the IIRC does not suggest how to measure and communicate performance.

In 2013, CBD still used the <IR> Prototype (IIRC 2012) and therefore the changes were not determined by IIRC requirements. From the outset, the Chairman's message highlights the financial issues in 2013. Also, there was no mention of sustainability in the discussion on sustainable plans and actions. This Annual Review is characterised by a more cohesive discourse:

> As you read through the detailed performance commentary in this report, it is important to keep in mind the broader social and economic operating environment, as these themes affect both our performance and the strategic decisions we make for our future planning. (CBD07 2013, p. 4)

Again the sections of the report focus on strategy and company performance with a special section on stakeholder engagement, not CR as was previously the case. What differs is that CBD identifies its greatest strengths and how to manage risk. In a dedicated section, CBD explains its integrated strategy and how that strategy aligns with stakeholders.

The 2013 Review was designed to inform investors, but there is still evidence of engagement with different stakeholders. The report is peppered with many stories about the experiences of customers and employees that have been able to start their own business or grow professionally. The most successful stories bolster the value of those businesses. (CBD07 2013, pp. 13, 16, 22, 26). However, the audience is different to 2012, with charts and numbers designed to communicate value to shareholders.

In Phase III, non-financial indicators were represented graphically. While there was a willingness to pursue the company's objectives by looking at impacts on the different actors involved, without a doubt, the main aim was to show an increase in economic value. CBD had started pay more heed to its investors' interests in order to strengthen its financial stability and sustainability. Even if CBD did not fall into the "shop-list trap" (Stubbs and Higgins 2014), where companies merely comply with each guideline in a schedule, it was trying to standardise its reporting by following the process of "accountingisation" prescribed by the <IR> (Dumay et al. 2015). Moreover, although CBD understood the effects of its business, it failed to identify any outcomes resulting from its activities that might have a negative impact on its brand image. This is indicative of a subjective approach and an inability to improve disclosure that contain both positive and negative outcomes. As highlighted in previous studies, this happens because financial capital is often considered more relevant than other capitals (de Villiers et al. 2014).

6.6 Phase IV

Following the third phase, the IIRC completed the final version of the <IR> Framework (IIRC 2013) in December 2013, and CBD adopted it to produce their 2014 Annual Review. The IIRC centred development of their Framework on materiality and engagement with shareholders, which naturally determined a stronger focus on financial value for CBD despite limited structural changes.

Analysis of a supporting document, the Dig Deeper report (CBD09 2014), revealed interesting information about CBD's real intentions:

> We have evolved our approach to reporting, moving away from the issues and stakeholder-based approach (customer, people, environment, community and supply chain) that we have used over the past five years, towards a format with a stronger focus on materiality and greater alignment to our Wealth of Opportunity story and how it can help to deliver sustainable, satisfactory shareholder returns. (CBD08 2014, p. 1)

The Chairman's message in the 2015 Annual Review confirms this objective:

> Our vision is to be the most respected [financial institution] in Australia and New Zealand [. . .]. We will be focused on improved and consistent returns for our shareholders and deliver a great customer experience. (CBD10 2015, p. 6)

CBD was striving to involve suppliers and interactions with them were considered more valuable than compliance with environmental regulations that did not really concern the bank. Only information that was relevant and material was selected for inclusion in the 2015 Annual Review. For example, environmental indicators were secondary in nature and were removed in favour of information about the supply chain. Flower (2015) argues that one of the limitations of <IR> is its vague interpretation of value, and how it limits the extent to which a company can generate value for others while generating value for itself in the process. In line with this critique, the 2015 Review provided no clear interpretation of the concept of value, but rather a simplified explanation of how CBD intended to increase financial value for itself:

> Our goal is to deliver sustainable and satisfactory returns to our investors. We believe that what is good for our customers is also good for business. (CBD10 2015, p. 2)

During Phase IV, there was no longer a need to integrate sustainability into their business strategy. However, what does appear relevant is that, through an integrated strategy which should hold benefit for a broad group of stakeholders, the board showed how it had achieved objectives for shareholders. In line with Flower's (2015) idea of the transformation of reporting, CBD had abandoned CSR reporting in favour of a corporate reporting practice largely aligned to the IIRC's concept of interpreting value creation through the eyes of financial capital providers. As advocated by the IIRC, CBD had shifted its reporting to a standardised output that focused on a specific group of stakeholders—its shareholders. This heralds the beginning of the fourth stage in the evolution of CBD's reporting (Fig. 6.2) and can be interpreted as an alignment with institutional legitimacy (Suchman 1995).

Despite its focus on financial measures, CBD still presented activities concerning other stakeholders. These mostly concentrated on the most important socially responsible initiatives for businesses to participate in, such as microfinancing and pension schemes for employees and customers (CBD08 2014, p. 24). All these programs were both financially-oriented and highly optimal for illustrating the alignments between CBD and other stakeholders. Several renewable energy initiatives had been supported by loans with lower rates to bolster environmental sustainability. CBD had also increased their involvement in the Aboriginal community through education and professional programs to improve the company's potential for recruiting talent as well as the native population's banking knowledge.

However, it is not clear how much these initiatives contributed to overall company profitability. As the aim was to communicate mainly with investors, it would

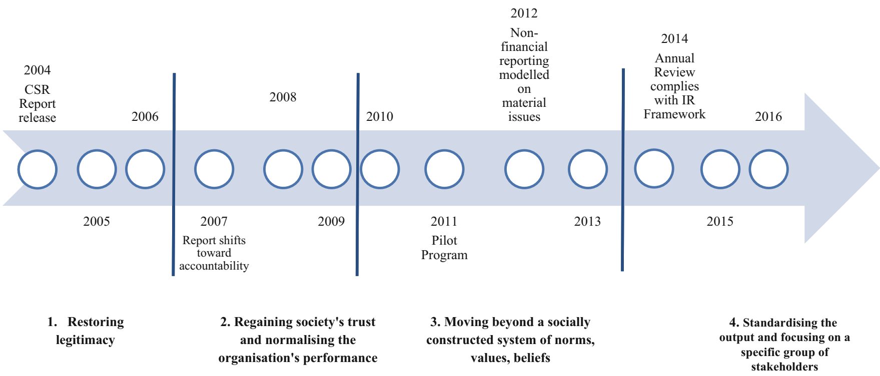

Fig. 6.2 Timeline of reporting and related motivation (2016). Source: Dumay et al. (2015); Beck et al. (2017)

have been more relevant to understand whether and how these programs were making a difference to CBD. Undoubtedly, these types of activities are helpful for communities, but they do not represent the most relevant part of a financial institution's business. Nothing was said about how the company selects its investment choices or invests its customers' money. Therefore, CBD did not provide any information about whether they had included CR in their value creation activities.

In general, the information disclosed mainly related to best practices and initiatives with positive impacts. In a few cases, activities and events with a negative effect on non-financial capitals were reported, for example, insider-trading events and other non-ethical practices that resulted in layoffs and firings. In 2015, several of CBD's employees were terminated after being found guilty of forging customer signatures and advising people to make hazardous investments and risky loans. CBD paid millions of dollars in compensation to the customers that had received bad advice. However, the Annual Review contains scant information on the scandal; a text box at the bottom of the report (CBD10 2015, p. 10) contains a brief description of the issue and the resolution. As theorised by Suchman (1995), a delegitimised organisation must immediately address such issues, admit their failures, and highlight any disruptions to demonstrate their reconnection with moral and cognitive beliefs. Should a company fail to recognise an issue, it risks losing its legitimacy to operate and will incur all the reciprocal consequences including loss of trust, loss of customers, major stakeholder issues, and, ultimately, negative financial results (Lawrence and Weber 2014).

Another example occurred in 2016 when one of CBD's financial advisors was found guilty of engaging in misleading and deceptive behaviour to favour particular clients. He was able to retrieve sensitive information about a superannuation fund by pretending to be a member and then use that information to improperly transfer funds to his clients. The 2016 annual review does not include any information about this scandal, reinforcing the findings of this study: that CBD cherry-picks what it includes and what it omits from its reports. Failing to mention this event is a clear indication of bias by CBD's management.

The fact that CBD has faced repeated scandals implies a lack of sustainability integration within the corporation and a lack of control. It is also evident that CBD has tried to dissociate itself from its employees' behaviour. Therefore, <IR> has not been able to modify the way CBD discloses information and how it conducts its business.

The argument above is further confirmed by the change in management that occurred in 2016. However, despite the appointment of a new Chairman, there has been no noticeable change in the objectives of the company:

> We are strongly motivated to be the most respected [financial institution] in Australia and New Zealand. To realize that vision, we have to make the [financial institution] simpler, with a stronger customer focus. (CBD11 2016, p. 7).

The fact that CBD has repeatedly stressed this idea over the years suggests that it has not been able to achieve its goal of becoming Australia's most respected financial institution. Implicitly, this indicates that there has been no significant change in the organisation's culture over the last 10 years and that the culture in place when the first scandals occurred during Phase I has remained substantially the same. Previous studies have demonstrated that CSR is something to be achieved every day, through business practices, and something that cannot be achieved by <IR> alone (Dumay and Dai 2017).

To conclude, in 2014 CBD entered into Phase IV, signaling its definitive acceptance of, and compliance with, a new set of accounting rules that shifted its focus toward shareholders and aimed to standardise its output (Fig. 6.2). The key insight is a focus on investors rather than any awareness of the impact of environmental or social issues. This finding is in contrast to Adams (2015) who, when analysing companies in the process of developing <IR>, found that the use of <IR> indicated a greater focus on sustainability development issues. Our findings are also in contrast to Montecalvo et al. (2018), where the use of <IR> had the potential to enhance sustainability reporting for state-owned enterprises. At CBD, the Annual Review is no longer a CSR reporting tool but a corporate one, as has emerged from other studies. Respect for stakeholders is necessary to guarantee financial sustainability, and it is subordinate to the creation of value. CBD has moved from sustainability reporting to corporate reporting.

6.7 Conclusion

The fact that CBD is an avid reporter and supporter of the <IR> Framework helps us understand the impact of <IR>. According to Dumay et al. (2015), CBD began using the term integrated reporting in 2010, well before the formation of the IIRC. However, their purposes were similar: to integrate all reporting into one simple, more concise document, including their sustainability reporting. Exactly where the term 'integrated report' originated from is not clear. But, it was around this time that the Eccles and Krzus (2010) book *One Report: Integrated Reporting for a*

Sustainable Strategy was released in the US. CBD's approach to reporting then was closer to *One Report*, than what we now know as <IR>. However, CBD did join the IIRC's Pilot Program and subsequently used their Framework to develop their integrated reports.

One of the key features of <IR> is its investor focus and its desire to build "financial stability and sustainability" (IIRC 2013, p. 3). This feature is not a stakeholder view of reporting. Consequently, one of the dangers of adopting <IR> is that an organisation might narrow and concentrate their reporting focus on shareholders as the most powerful stakeholders and relegate the other stakeholders to secondary consideration. Albeit, this shift is unlikely. As Dumay and Dai (2017) report, organisational cultures do not change quickly, especially when the culture is strong, so it is difficult for <IR>, or any other form of reporting, to induce any major impact.

The CBD case is interesting from an organisational culture perspective because the culture at CBD was one of the primary reasons for its original foray into CSR reporting in 2004. As CBD outlines in 2004, "We are also changing our leadership teams, our structures, our culture and our strategies. This report is a tangible demonstration that we will continue to strengthen our business practices and lift the level of transparency and accountability of the [CBD] on issues that are important to our stakeholders" (CBD01 2004). Thus, the need to change the culture of an organisation deeply embroiled in a scandal blamed on its culture moved CBD to try to repair trust and legitimacy by exposing what went wrong, showing that the guilty parties had been removed, and not allowing panic to set in with investors and the government (see Suchman 1995, p. 597). By moving to repair their legitimacy, CBD was imploring change, while at the same time carrying on business as usual. Yet, if there is one thing that is difficult to change in an organisation, it is culture (Merchant and Van der Stede 2007; Dumay and Dai 2017).

'Business as usual' is the result of entrenched systems and processes. These are an organisation's key resources, and they are sticky, especially in the short term (Teece et al. 1997; Dumay and Guthrie 2012). Culture is no different because people cannot change themselves or the way they behave overnight. So, even if a firm did need to fire undesirable people and acquire new people with a different mindset, change would only be effected in limited form; organisations cannot throw out the old and take in the new very easily. People who form part of the undesirable culture can remain in the organisation in the short to medium term, and those entering the organisation may even find they need to fit in with the existing culture, rather than introducing their own value sets to change the culture of existing employees (Dumay and Dai 2017).

So, if resources and cultures are sticky, what chance does any form of reporting have to change a culture? In this case, very little. As evidenced in the CBD case, it took several years (2004–2011) for CBD to declare that "trust" had been repaired (Dumay et al. 2015, p. 11). When it did, CBD declared their customers and their community came first, and this principle underpinned the returns they generated for shareholders. But, how long was this to last? If CBD's organisational culture did, in fact, put their customers and community first, it is unlikely that further scandals would have occurred because their culture would have been strong enough guide to individual behaviour. However, in 2015, another scandal rocked CBD when it identified that many customers were at risk due to inappropriate information given by their financial planners over the last 5 years—well after implementing integrated reporting, after adopting the <IR> Framework, and after joining the Pilot Program. That means that, since at least 2010, some CBD employees in investment advisory roles had not been putting their customers and the community first, but rather were prioritising their own wealth creation. Oddly, this was happening at the same time CBD was declaring that trust had been repaired. Were they remiss to conclude, "we continue to pursue a strategy that is founded on the value of advice in assisting more Australians to have trust and confidence in their financial futures" in their 2015 Annual Review? (CBD10 2015, p. 10) The trust CBD claims to have restored in 2010 appears not have penetrated the employees in their financial advisory business.

It is true that no organisation is immune to the behaviour of one or two rogue employees, and it is often difficult to make behavioural constraints foolproof, especially when an organisation is dealing with disloyal, deceitful employees (Merchant and Van der Stede 2007, p. 77). However, while CBD argues its problems were contained to a handful of individuals, its wealth advice process is an integral part of CBD's systems and day-to-day business, and, thus, are part of the culture CBD identified as the problem. These problems are very much cultural and cannot be changed by simply removing a few employees. By CBD's own admission, the changes needed demanded: "several initiatives to substantially improve outcomes for our financial advice customers" (CBD10 2015, p. 10).

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